DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

PART 4 (Pages 1-1186)

ACTION
CORPORATION FOR PUBLIC BROADCASTING
COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF EDUCATION
AMERICAN PRINTING HOUSE FOR THE BLIND
GALLAUDET COLLEGE
HOWARD UNIVERSITY
NATIONAL INSTITUTE OF EDUCATION
NATIONAL TECHNICAL INSTITUTE FOR THE DEAF
OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGE AFFAIRS
OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION
OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES
OFFICE OF POSTSECONDARY EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES
OFFICE OF VOCATIONAL AND ADULT EDUCATION
FEDERAL MEDIATION AND CONCILIATION SERVICE
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE
NATIONAL LABOR RELATIONS BOARD
NATIONAL MEDIATION BOARD
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
PRESIDENT'S COMMISSION ON ETHICAL PROBLEMS IN MEDICINE
RAILROAD RETIREMENT BOARD
SOLDIERS' AND AIRMEN'S HOME

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

FRIDAY, FEBRUARY 27, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Daniel K. Inouye presiding.

Present: Senator Inouye.

DEPARTMENT OF EDUCATION

STATEMENT OF JOHN SEAL, ACTING ASSISTANT SECRETARY FOR MANAGEMENT

ACCOMPANIED BY:
- JOHN YAZURLO, ACTING INSPECTOR GENERAL
- FREDERICK T. CIOFFI, ACTING ASSISTANT SECRETARY FOR CIVIL RIGHTS
- KRISTINE M. MARCY, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND COMPLIANCE OPERATIONS, OCR
- WILLIAM FLOYD, CHIEF, ADMINISTRATIVE BUDGET BRANCH, OFFICE OF MANAGEMENT
- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET
- JAMES MOORE, ACTING DEPUTY ASSISTANT SECRETARY FOR STUDENT FINANCIAL ASSISTANCE, OFFICE OF POSTSECONDARY EDUCATION

SUBCOMMITTEE PROCEDURE

Senator INOUYE. We will now hear testimony from the Department of Education for the appropriations for departmental management.

Now we will turn to the portion of our hearing referring to departmental management of the Department of Education. Since the Department has just completed its first full year in operation, we are particularly interested in learning how overall management has been improved. The lead witness for the Department is Mr. John Seal, the Acting Assistant Secretary for Management. On behalf of the committee, I welcome you, sir.

Mr. SEAL. I would like to submit my opening statement.

Senator INOUYE. It will be made a part of the record.

[The statement follows:]

STATEMENT OF JOHN SEAL

Thank you for the opportunity to present the Department of Education 1982 budget request for Salaries and Expenses. We are requesting a total of $319 million and 6,821 full-time equivalent positions. The request is divided into three accounts: Departmental Management--$255 million and 5,351 full-time equivalent positions; Office of the Inspector General--$13 million and 335 full-time equivalent positions; Office for Civil Rights--$51 million and 1,135 full-time equivalent positions. As you are aware, the Department of Education Organization Act required a reduction of 500 full-time equivalent positions by the end of fiscal year 1981. The budget meets that requirement.

Departmental Management

The Departmental Management account supports most of the staff and the operation of programs within the Department, the Advisory Committees, and Program and Management Evaluation. Approximately 58 percent, or $149 million, supports personnel compensation and benefits. Travel and transportation of things represent three percent ($6.8 million) of the request. Largely uncontrollable items such as rent, communications, utilities, and other rentals cover ten percent ($24.8 million). Printing, supplies, materials, and equipment purchases cover four percent ($10.7 million) of our request. Other services amount to 26 percent ($66 million) of the budget. These services include automatic data processing (ADP), reimbursable activities with other agencies, field readers (peer review), employee training, and both consultant and non-consultant contracts. The largest single activity covered under other services is the processing of student financial assistance applications. The automatic data processing costs for processing these applications and providing data are $27 million, while other service contracts will cost $4.5 million. An additional $5 million not included in other services is required for printing of the student assistance applications and information about the program.

The increases in the Departmental Management account for 1982 fall mainly in three areas: personnel compensation, rent and communications, and other services. The personnel compensation increase is $7.3 million, covering career promotions, within-grade increases, and annualization of the October 1980 pay raise. The rent and communications increase of $1.2 million is the result of rate increases.

Under other services, the increase is mainly for ADP costs. Implementation of ADP services for the new Guaranteed Parent Loan program authorized by the Higher Education Amendments of 1980 will cost $2.5 million. An additional $2.7 million for ADP is planned for three areas: implementation of a data-based management system to integrate the various independent program systems throughout the Department; development of office automation systems to combine word processing, text editing, and other management information systems into a single user-oriented system; and implementation of a Department-wide accounting system.

Also under other services, we have included an increase of $2.7 million for Program and Management Evaluation. Seven new program evaluation studies and 13 management evaluation studies will be undertaken. Ten service delivery assessments will be performed. These are fast turnaround (three-five months), client-oriented studies of Department of Education programs conducted to assess how program operations are viewed in the field and to gather "grassroots" recommendations for program improvements. In response to Section 417 of the General Education Provisions Act calling for quantifiable program objectives, we will perform 13 evaluability assessments. These assessments clarify and analyze program objectives and develop measurable performance indicators which can be used by program managers and policy officials to help guage program achievements.

Office of the Inspector General

For the Office of the Inspector General, we are requesting $13 million and 335 full-time equivalent positions. This request represents an increase of $1.5 million and 31 positions above the fiscal year 1981 level. Approximately 70 percent of this net increase of $1.5 million is for salaries and related costs for the 31 new positions. The remaining dollar increase in this budget request is for uncontrollable items such as annualization of pay raise costs, within-grade increases, rent and other housekeeping items.

The requested staff increases focus primarily on the regional audit function. With an additional 23 positions, these offices will conduct 27 additional audits of departmental contract recipients and will place more emphasis on providing reviews of reports prepared by non-Federal auditors as required by the Inspector General Act. The request for additional staff in this area is consistent with one of our priorities to effect improvements in programs and internal operations of the Department.

The balance of the positions will be distributed as follows: four investigators assigned to the regional offices to open and conduct 24 new investigation cases; three management analysts to conduct studies of the results of audits and investigations and to review proposed legislation and regulations; and one position assigned to fraud control to assist in performance of vulnerability assessments of programs and operations considered high risk for potential fraud, waste and abuse.

Office for Civil Rights

The Office for Civil Rights request is for $51 million and 1,135 full-time equivalent positions. These funds and positions support the enforcement of prohibitions against discrimination on the basis of race, national origin, sex, handicap, or age in programs and activities funded by the Department of Education. Activities of the Office include: the conduct of complaint and compliance reviews; monitoring of corrective plans and remedies of identified discriminatory practices; compliance support, such as management and program direction, planning, negotiation and enforcement; program evaluation; and technical assistance to educational recipients and beneficiaries. The budget request maintains the fiscal year 1981 funding and position levels as adjusted for inflation.

Consultants

The Department of Education utilizes consultant services in two forms--consultant services contracts and appointive consultants. Consultant services contracts are awarded when we require a product which cannot be produced by on-board staff. Appointive consultants are used when we need the advice of experts for limited and intermittent periods. Appointive consultants can only be hired under our salaries and expenses accounts. Consultant contracts can be funded under these accounts and also under program accounts which have legal authorizations for letting contracts. Two examples are the Title I program under the Elementary and Secondary Education Act and the Special Studies program under the Education of the Handicapped Act. Most consultant services contracts are for studies of the various aspects of a specific educational issue such as what legislative changes are needed to improve the administration of one of the

Department's programs. The analysis of data and the recommendation portions of our evaluation contracts are considered consultant services. Contracts let for the development of employee training programs and the design of ADP systems are also considered consultant services. Appointive consultants are hired to give advice on procedures, regulations, current practices in their fields, pending or proposed legislation, and a variety of other matters important to the Department's administration.

Since we submitted our Congressional justifications, we have been advised by the Office of Management and Budget that our share of the government's total ceiling on consultant services should be $33 million rather than $25.3 million. This increase is based on the fact that the earlier ceiling failed to take into account those consultant services activities completed by components prior to becoming part of the Department. It also is based on the inclusion of our field readers' expenditures which had not been included under the earlier ceiling. Staff currently are in the process of reviewing 1981 requests from our offices to determine which contracts will be awarded within this $33 million ceiling. Current plans include $1.6 million for appointive consultants and $3.4 million for the field reader reviews of program applications. We expect to adhere to the $33 million ceiling in 1982. No increase in our overall budget for salaries and expenses is required.

At the Committee's request, we have estimated how much of our budget is for regulatory purposes. The major portion of our regulatory budget is in the Office for Civil Rights (OCR). In 1981, approximately $39 million and 1,081 full-time equivalent positions in OCR will be used for regulatory activities such as complaint investigations, Emergency School Aid Act pregrant reviews, compliance plan monitoring and reviews, and headquarters compliance support. In 1982, the same number of positions and approximately $41 million will be used. The only other regulatory activities carried on by the Department are in the development of regulations concerned with our own educational programs. The estimated cost of these activities is $3 million in 1980, 1981, and 1982. These costs combined with those of OCR represent 14 percent of the Department's Salaries and Expenses budgets and .3 percent of the total Department budget. Including OCR, the estimated full-time equivalent positions devoted to these activities are 1,155 in 1980, 1,151 in 1981, and 1,148 in 1982.

My colleagues and I will by happy to answer any questions you may have.

SUMMARY OF STATEMENT

Mr. SEAL. I thank you for the opportunity to explain the 1982 budget for salaries and expenses for the Department of Education as proposed by the Carter administration. As the chart indicates, there are three appropriation accounts falling under salaries and expenses. Departmental management, which has 5,351 full-time equivalent positions in 1982, $255 million. Office for Civil Rights, 1,135 full-time equivalent positions in 1982 and $51 million. And the Office of Inspector General at 335 full-time equivalent positions, $13 million.

For the entire Department the position figures that you see represent a reduction of 754 full-time equivalent positions between 1980 and 1982. That has been done in order to meet our legislative mandate under the Department of Education Organization Act which required us to reduce the positions by 500 by the end of this fiscal year. The appropriation for departmental management primarily supports personnel costs. It also supports rent, utilities, communication, data processing, and evaluation.

The increase for departmental management in terms of dollars falls primarily for personnel, about $7 million; for rent and communications, telephones, et cetera, slightly over $1 million; ADP cost, $2.7 million. Additional ADP costs are required to set up the guaranteed parent loan program, a new program for us, at approximately $2.5 million. And evaluation receives an increase of $2.7 million.

For the Office for Civil Rights we are requesting level funding in terms of position numbers, and the only increase is for personnel costs.

For the Office of Inspector General we are requesting 31 additional positions and the associated dollar costs. With that I will turn it over for your questions.

STATE AGENCIES

Senator INOUYE. How do you coordinate the work of the Office of Civil Rights with State agencies?

Mr. CIOFFI. The coordination, Senator, is effected in a number of ways. We have 10 regional offices in the established cities and pretty much on an annual basis our regional directors will invite key State superintendents and superintendents of larger cities to explain the programs that are performed by OCR.

Senator INOUYE. Are you satisfied with the present coordination activities?

Mr. CIOFFI. It could be better.

Senator INOUYE. How so?

Mr. CIOFFI. Many of the States are not aware of the intricacies of the operations of the Office for Civil Rights. They could use more technical assistance than they have been getting to better understand the programs that we have.

CONSOLIDATED GRANT PROPOSALS

Senator INOUYE. We have heard much about the consolidation of numerous categorical programs into huge block grants. Now, if this office is one of those included in a block grants plan, to what extent would civil rights enforcement activities be shifted from your office to State agencies?

Mr. CIOFFI. It is really too soon to tell. My impression is that there is so much at the present time being funneled through the States to the local education agencies that the basic program of the Office for Civil Rights would continue. The larger—title I—grants are now funded through the States. There are very few funding programs going directly to the LEA's today. I would basically envision very little change in terms of our current operation.

Senator INOUYE. This is from a reliable source? [Laughter.]

Mr. CIOFFI. I am fairly convinced as a result of my conversations with the Secretary he would like to see greater participation by the States. We have, in fact, moved in that direction with some of our new programs going to State plans with regard to special education, vocational services, and rehabilitation services. The focus at the office is that the

Federal Government can't and should not be totally involved with civil rights enforcement. We have been attempting over the last several years to engage the States in more compliance activities.

Senator INOUYE. What controls would be needed in block grants to protect against civil rights abuses or financial abuses?

Mr. CIOFFI. We don't usually get involved with financial abuse. With regard to abuse of civil rights in general the office is mandated to respond to complaints—70 percent of our effort today is in direct response to complaints. I would envision that whether the money was funneled through a block grant or directly to recipients' complaints would continue and we would respond to them.

COMPLAINTS

Senator INOUYE. Would you anticipate a reduced number of complaints or an increased number?

Mr. CIOFFI. Our record over the last several years has been a constant increase in the number of complaints being filed by individuals in the country. Last year that figure was approximately 3,350. This year, in 1981, we've contemplated going to about 4,100 and in fiscal year 1982 probably to 4,500. I am not sure that there will be any decrease because of grants going to the States.

AFFIRMATIVE ACTION

Senator INOUYE. What are your views on the proposal to eliminate affirmative action targets?

There is a proposal by the administration to eliminate such targets.

Mr. CIOFFI. The Office for Civil Rights program—with regard to affirmative action was reduced when the OFCCP took over all responsibilities for the Government contract compliance enforcement. The only time now that the Office is involved with affirmative action is when we have found discrimination in school district hiring practices and affirmative action is required to remedy the discrimination.

LANGUAGE MINORITY REGULATION

Senator INOUYE. August 5, 1980, the Secretary of Education issued a proposed Lau regulation preventing discrimination against students with limited English proficiency, in elementary and secondary programs receiving Federal assistance.

After considerable controversy, these proposed regulations were recently withdrawn.

How much did the Office of Civil Rights and the Department of Education spend in devising, publicizing, and promoting these Lau regulations?

Mr. CIOFFI. I'm not sure of that figure. I can supply it for the record.

We had a number of public hearings, a number of meetings with public interest groups. There was wide publication with regard to the need for clarification of regulations.

I can get the figures for you.

Senator INOUYE. Fine.

[The information follows:]

ISSUANCE OF PROPOSED LANGUAGE MINORITY REGULATION

The total expenditure associated with the issuance of the proposed civil rights language minority regulation was $654,000.

The major items comprising this expenditure are delineated below:

Staff time (including benefits and overhead)	$513,500
Contracted research studies	10,000
Printing and public dissemination	52,000
Public hearings	27,500
Travel and per diem	51,000
Total	654,000

LAU DIFFERENCES

Senator INOUYE. Is there any difference between Lau regulations and Lau remedies?

Mr. CIOFFI. There is no such thing as a Lau regulation. We use basic civil rights techniques to investigate cases and find whether noncompliance is occurring.

Once we find noncompliance, then we apply the remedies, to develop corrective programs and plans by school districts. We don't use the Lau remedies as a basis for finding noncompliance.

ATHLETIC GUIDELINES

Senator INOUYE. After 2 years, your office recently resumed investigations of title IX compliance, based on revised requirements.

How do the new requirements for title IX compliance differ from previous requirements on sex discrimination?

Mr. CIOFFI. With regard to intercollegiate athletics?

Senator INOUYE. Yes.

Mr. CIOFFI. The Department promulgated a final policy statement in December 1979. There had been some confusion in the area of departmental jurisdiction; thereafter we undertook to notify universities that we were going to develop a compliance program in this area. The policy statement directs itself to problems in the area of scholarships, delivery of services, and the interests of women in athletic programs.

And it is within those three areas that we have been concentrating our investigative efforts.

HANDICAPPED DISCRIMINATION

Senator INOUYE. Regulations for section 504 of the Rehabilitation Act of 1973 require that all federally assisted programs and activities be accessible to the handicapped.

Has the handicapped enrollment, as a percentage of total college enrollment, increased since section 504 was enacted?

Mr. CIOFFI. I have no figures as to whether that has occurred. If it is available, I will provide it.

Senator INOUYE. If you could provide that information for the record, I would appreciate it.

[The information follows:]

HANDICAPPED COLLEGE ENROLLMENT

The Department's higher education general information survey collects undergraduate, graduate, and professional school enrollment by major disciplinary field with a breakout by race, ethnicity, and sex. However, this survey does not solicit information as to a student's handicap.

The Department would expect that enforcement of section 504 has increased the enrollment of handicapped students in postsecondary education institutions.

SECTION 504 COMPLIANCE

Senator INOUYE. Are all federally assisted colleges and universities presently in compliance with section 504 regulations?

Mr. CIOFFI. Categorically, I would assume that the answer to that is "No." Not all. We have found that there are problematic areas, as they relate to the handicapped.

One of the basic misunderstandings that occurs regards access. Many individuals confuse that with physical access to buildings and classrooms. And what we are talking about is access to programs

So, if you have a science program on the third floor and it is feasible to move it to the first floor, that would be an excellent approach for a school system to contemplate.

We get many complaints with regard to section 504. About 43 percent of our complaints are filed under section 504. And they run the gamut of not only access to programs, but with regard to related services, with regard to insurance problems, with regard to free and appropriate education, with regard to the least restrictive setting.

Unlike some of the other statutes, there is a wide range of problems that have been recognized with regard to section 504.

Senator INOUYE. You suggested that it is not a question of barriers?

Mr. CIOFFI. In some cases.

Senator INOUYE. If the facilities or the programs are made available, or accessible, you have met the test?

Mr. CIOFFI. Correct.

Senator INOUYE. Are you satisfied that using that test, these colleges are complying with section 504?

Mr. CIOFFI. I would say that, if the handicapped individual had legitimate access to programs, the Government should have no basic quarrel with the university or the recipient involved.

Senator INOUYE. Have you received complaints from the nonhandicapped?

Mr. CIOFFI. If we have, they would be very few. I don't know of any.

Senator INOUYE. I asked this because we do receive complaints from the nonhandicapped.

Mr. CIOFFI. In my meetings with several superintendents, they have politely indicated that they anticipate some kind of backlash from nonhandicapped individuals, because of the realization that supplying services and making programs accessible to the handicapped costs a lot of money, especially with regard to providing the services. However, I don't have any knowledge of any complaints being filed by nonhandicapped.

BLOCK GRANTS MANAGEMENT

Senator INOUYE. Now, we will get down to management.

As we are all aware, the Reagan administration is proposing major changes in the administration of Federal education programs. We have been talking about this all morning, in terms of the shift from categorical to block grant programs.

Do you believe that the administration of block grants will minimize fraud and abuse and mismanagement of funds?

Which would be easier to administer, block grants or categorical grants?

Mr. SEAL. In terms of the Federal responsibilities, block grants would be easier to administer. There would be certain new responsibilities for the States. The States would obviously have to pick up additional responsibilities, in terms of their own degree of monitoring, for the administration of grants within their jurisdictions.

INSPECTOR GENERAL'S ROLE UNDER BLOCK GRANTS

Senator INOUYE. What would be the role of the Inspector General, with this change?

Mr. YAZURLO. You mean with the change to block grant programs, if that comes about?

Senator INOUYE. Yes.

Mr. YAZURLO. It would all depend as to what is in the legislation for the block grant programs, plus the regulations.

I visualize there will still be a role for the IG's Office, to make audits or assure that the States make audits, or that independent public accountants do.

Senator INOUYE. What would you suggest should be the role of the Inspector General?

Mr. YAZURLO. The same role that the Inspector General has now: To oversee the administration of the programs, to assure that audits are conducted—and conducted properly—and to look for indications of fraud, waste, and abuse during whatever audits the IG makes.

Senator INOUYE. Would there be any change in the Office of Civil Rights?

Mr. CIOFFI. We don't contemplate any, at the present time.

Senator INOUYE. I would like to now touch upon a matter that concerns several members of this committee. And so, I will carefully read these questions:

How much is the Department spending in noncompetitive awards for activities of the various national-based education associations?

Mr. SEAL. I don't have that figure, Senator. We will provide it to you.

[The information follows:]

NONCOMPETITIVE AWARDS

There were no fiscal year 1980 noncompetitive grant awards made to nationally based education associations. There were 17 noncompetitive contract awards totaling $949,140. A list follows:

Education Commission of the States, $75,000.—Proposal for a national project and task force on desegregation strategies.

American Council on Education, $61,996.—Interassociational project on higher education and the handicapped (HEATH).

American Council on Education, $6,586.—Higher education and the handicapped.

Council for American Private Education, $15,800.—Feasibility study on the status of minorities in private elementary and secondary schools.

Council of Chief State School Officers, $185,902.—Coordination with the States.

Council of Chief State School Officers, $86,413.—1980 summer institute for chief State school officers.

National Catholic Educational Association, $65,300.—Survey of nonpublic elementary and secondary—Catholic—schools.

National Foundation for the Improvement of Education, $44,985.—Development and testing of instructional kit for M Visto Porsus Ninos.

National Institute for Work and Learning, $55,478.—Linking education and economic development in rural America.

National Student Educational Fund, $74,950.—Student/commissioner conference on Federal financial aid.

WEAL Fund, $64,727.—Project coordination for the Women's Education Equity Act program.

WEAL Fund, $2,088.—Project coordination for the Women's Education Equity Act program.

American Library Association Office of Research, $10,706.—Editing and updating handbook of standard terminology for recording and reporting information about libraries.

ABT Associates, $6,882.—An assessment of the ESAA TV program through an examination of its production, distribution, and financing.

ABT Associates, Inc., $107,962.—Development of RSA management information system.

American Association of School Administrators, $15,000.—Small/rural school network.

State Higher Education Executives Officers, $69,365.—Operation of SHEEO/NCES communications network.

NONCOMPETITIVE AWARDS

Senator INOUYE. Do you believe it is appropriate for the Department of Education to award noncompetitve grants to organizations which lobby the administration and Congress?

Mr. SEAL. It is my understanding, Senator, that Federal funds are not to be used to lobby either the administration or Congress.

On the face of your question, I would say: "No." That is not proper.

Senator INOUYE. In fiscal year 1980, the American Council on Education received $61,996 for an interassociational project on higher education and the handicapped. The cumulative amount they received was more than $703,000.

And during this same year, the Council on Higher Education and the Handicapped received $6,586. The cumulative was about $305,000.

The Council of Chief State School Officers, for coordination with the States, received $185,902; and spent $86,413 for a 1980 summer institute for chief State school officers, where they were given instructions on how to lobby the Congress and the administration.

The National Urban League was awarded $987,278 for the assessment of the social implications of the Follow Through program.

Now, do you believe it is appropriate for the Department to award such noncompetitive grants to organizations which lobby the administration and the Congress?

Mr. SEAL. I would repeat my statement, Senator, that I would not support the use of Federal funds for lobbying purposes. I am not familiar with the individual grants or contracts that you are mentioning at this point. I would have to assume that there were other purposes for those grants.

Senator INOUYE. Are these organizations monitored?

Mr. SEAL. Yes.

If they are on a contract, they would have to be monitored by the program office responsible for that particular subject matter, as well as our contracts office.

Senator INOUYE. Would you let us know what your program officer found out about these activities?

Mr. SEAL. Certainly.

Any contractor is required to submit periodic reports. We can provide that information for you.

[The information follows:]

MONITORING OF NONCOMPETITIVE CONTRACTS

A review of monitoring reports on contracts awarded to the American Council on Education, the Council of Chief State School Officers, and the National Urban League for contractual tasks in fiscal year 1980 indicated no evidence of lobbying activities. Project officers and contracts officers involved reported that through documentation of contracting activities, project reports, letters describing progress, personal observation, and conversations with contractor staff no irregularities were discerned. Moreover, monitoring officials advised that contractors and staff were fully congnizant of the fact that lobbying activities supported by Federal contract moneys were illegal. In addition, the contractors were aware that any misuse of contract funds would likely be discovered in the postaward audit performed prior to final closeout of the files.

ADDITIONAL QUESTIONS

Senator INOUYE. I have several questions here that are very important regarding noncompetitive contracts.

I don't suppose you have the specific numbers? We would need that.

Mr. SEAL. I do not. We would be glad to submit it.

Senator INOUYE. I will be submitting all of these questions for your detailed response.

Mr. SEAL. Fine.

STUDENT FINANCIAL AID COMMISSION

Senator INOUYE. The Student Financial Aid Commission was authorized but not funded.

Do you think it should be funded?

Mr. MOORE. The Congress, in the 1980 amendments, in setting up the Commission, referred a number of fairly complex and longstanding problems and questions, by law, to it for study, along with some general charges.

I am not sure where we are with respect to budgetary support for it. But, looking at the general conduct of the student aid programs, I think it would be a good idea if this group took an independent look at these questions and problems.

Ms. CHRISTENSEN. I would add that the Carter budget includes $1 million in a supplemental request for 1981, as well as a second $1 million for 1982, to support the Commission.

We had also, in the previous administration, sent up a reprograming request of $150,000 to get the Commission underway. It had just been named. That money would be repaid from the supplemental, if it had been enacted.

And when the new administration came in, the Secretary took a look at this, and decided it was something that he needed to take a little time in deciding what his policy would be.

As a result, he sent a letter to each of the Appropriations Committees, asking them to hold that reprograming request in abeyance. We expect that a letter will be sent up very shortly on that, as soon as President Reagan's budget is submitted on the 10th.

Senator INOUYE. So, the withdrawal of the request is not final?

Ms. CHRISTENSEN. It is not final. It was a temporary withdrawal, pending the Secretary's review of the entire situation.

Senator INOUYE. I would like to touch upon something that is always meat for the press.

A recent Washington Star report on travel costs among various Federal agencies noticed some glaring discrepancies from one agency to another. The Department of Education compared poorly, compared to others with travel and per diem costs of $82.

One reason cited was the use of air travel for 90 percent of all trips.

What accounts for the fact that 90 percent of all trips were by air? The Department was reported to have the highest percentage of air travel among all of the agencies.

Mr. SEAL. It is primarily due to the organizational structure of the Department.

First, remember the study was done for 1979 travel, before the Department was created. At that time, only about 20 percent of the Education Division's employment was in the regions. Therefore, most of the travel that took place came out of Washington, D.C. And that explains the reason why there was so much air travel.

Now, since the addition of the Office of Civil Rights, Rehabilitation Services, and the Inspector General, there is a larger regional presence. So, I would expect that that percentage would be lower now. It is unfair to compare Education to the Department of Agriculture, which is a very decentralized organization and can do much of their traveling by car.

Senator INOUYE. If I were to be sent to the city of New York on an assignment, do I go by train or plane?

Mr. SEAL. I believe travel to New York would be by Amtrak. If it was to a city farther away, the travel regulations would require you to book your ticket on a discount airline.

Senator INOUYE. One of the major arguments made by proponents of the Department of Education was that the establishment of this new Department would lead to greater efficiency in the operation of Federal education programs.

Do you believe that this efficiency has been achieved?

Mr. SEAL. I think we can demonstrate that there have been efficiencies made as a result of the creation of the Department. I would echo Secretary Bell's comments that when education was part of HEW, it was much more difficult for him, when he was the Commissioner of Education, to get top-level policy decisions made.

Certainly by having a separate entity, whether it is a department or agency, that decisionmaking process has been sped up.

We have also undertaken some efforts in various ways to try to improve both our internal operations as well as our services to the public. For example, we have consolidated our offices which review forms that are required for the public to fill out, in order to try to streamline our own paperwork reduction effort within the Department. We have introduced the idea of quality control in the Department in terms of how we perform our jobs. We are also going about establishing our own payroll system and a departmentwide accounting system, whereas before we had fragmented efforts.

So the answer is "Yes."

Senator INOUYE. I am not too familiar with the paperwork in your department, but I have had to fill out forms, eight copies, nine copies. It has always bothered me.

Do you people really make use of the eight copies?

Mr. SEAL. Not always.

Senator INOUYE. Is it to convince us that there is much work to be done?

Mr. SEAL. That's not the intent, sir. Most of the paperwork that comes from the Department of Education is in the form of applications, application forms, and probably second would be monitoring-type reports. We have been making a very serious effort to try to reduce the burden on the public.

I can cite one good example that has to do with civil rights. Shortly after creation of the Department, working with the Office for Civil Rights, we were able to reduce OCR assurance forms from 14 or 17 pages to 1½ pages. There are other opportunities to do that; we are looking at those.

Ms. CHRISTENSEN. It should also be noted that a lot of the paperwork requirements have been requirements put on the individual schools by the States and localities. There has been some confusion as to who is actually putting on all of these requirements. There have been some studies that have indicated that a large portion of it is put on by the localities.

FRAUD AND ABUSE

Senator INOUYE. I would like to turn to the Office of the Inspector General. Among other things, I suppose you are looking into fraud and abuse.

What sorts of fraud and abuse have you uncovered during the past calendar year?

Mr. YAZURLO. Well, right now we have in excess of 200 investigative cases going on. The types of fraud and abuse that we normally find are submission of false statements, false documents of one sort or another, or conspiracy schemes to defraud the Government. Those are the major types of frauds that we are working on.

Senator INOUYE. Would you consider the three organizations that I cited as possibly being involved in fraud and abuse?

Mr. YAZURLO. Which three organizations?

Senator INOUYE. These national lobbying organizations.

Mr. YAZURLO. I have no information whatsoever on which to base a judgment, sir.

Senator INOUYE. If these organizations were holding seminars funded by the Federal Government to teach State education officers on how to lobby, would that be fraud and abuse?

Mr. YAZURLO. If the funding for that segment of it was charged against a Federal program, I would think it would be an improper or illegal expenditure, sir.

Senator INOUYE. What happens then if it is declared to be illegal?

Mr. YAZURLO. Well, if it were investigated by the Inspector General's Office, and determined that it was a criminal violation, it would be referred to the U.S. Attorney's office for determination as to whether prosecution would be warranted.

Senator INOUYE. That's what you do? You don't just tell them to return the money?

Mr. YAZURLO. No, sir, not if there is a criminal violation involved. If prosecution were declined in favor of administrative action, then that would be the next step, to take some sort of administrative action to get the money back.

Senator INOUYE. In your prepared statement, you described the use of consultant services and noted that the fiscal 1982 request submitted by the Carter administration was for $25.3 million, that OMB has since advised you that the ceiling should actually be $33 million.

How do you account for this increase?

Mr. SEAL. OMB revised the definition first, and we had to include approximately $3.4 million to the $25 million for field readers, because that was included under their new definition, and in addition, the previous ceiling of $25 million did not include all of the components that came into the Department of Education such as OCR, Rehabilitation Services, and the Inspector General. So that is not an increase, it is simply a reallocation under the Department.

Senator INOUYE. How many of these consultants are former staff members of the Department?

Mr. SEAL. I don't know that, sir. We will try to provide that answer for you, though. Offhand, my comment would be that it is not a large percentage.

Senator INOUYE. Do you believe that some of these activities could be handled by researchers at the National Institute of Education and the National Center for Educational Statistics?

Mr. SEAL. Certainly not all the types of consultant services that the Department requires.

Senator INOUYE. Could some of them be?

Mr. SEAL. Some of them are, in fact. The National Institute for Education and the National Center for Educational Statistics both use consultants when they require expertise.

Senator INOUYE. Do you care to add anything to your testimony?

Mr. SEAL. No, sir.

Senator INOUYE. Ladies and gentlemen, I thank you very much. We will be submitting to you prepared questions and we would appreciate your response as soon as possible.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BLOCK GRANTS MANAGEMENT

Question: To what extent would administering block grants minimize fraud, abuse and mismanagement of funds at the Federal level?

Answer: The opportunity for fraud, abuse and mismanagement of Federal funds at the Federal level bears a direct relationship to the amount of stewardship and other managerial responsibilities assigned to Federal managers. Since block grants generally result in less Federal involvement in decision making and managerial processes, the extent of fraud, abuse and mismanagement could conceivably be reduced at the Federal level. However, we believe that perceived problems at the Federal level relating to these areas of concern may be shifted to state and local levels. Furthermore, our audit and investigation activity has shown that fraud and mismanagement of Federal funds has been more prevalent at the grantee or recipient level than at the Federal level.

Question: Do you foresee the same mismanagement, fraud and abuse merely being transferred to the state and local levels since states would have broad jurisdiction over spending for the various programs?

Answer: In general, it would depend on what is in the legislation for the block grant programs and the Departmental regulations. We believe the proposed change.to block grants would do little to eliminate the problems of fraud, abuse and mismanagement. In fact, our contract and grant audits invariably show that mismanagement of Federal funds most often occurs because Federal program officials did not adequately monitor or oversee the manner in which Federal funds were expended at the local or state levels.

OFFICE OF INSPECTOR GENERAL

Question: A number of the outgoing Inspectors General (fired by President Reagan) agreed in interviews that they barely dented the problem. What is needed in order to equip the Office of Inspector General to successfully combat fraud, abuse and mismanagement in the Department of Education?

Answer: In order to successfully combat fraud, abuse and mismanagement in the programs and operations of the Department of Education, the Office of Inspector General must have:

(1) the support of top management for the Office and efforts of the IG;

(2) sufficient and diversified staff of auditors, investigators and other professionals;

(3) an adequate level of training funds to meet critical audit and investigation training needs; and

(4) sufficient travel funds to conduct audits and investigations mandated under the IG Act.

Top Management Support. Fortunately, both the former and present Secretary of Education have recognized the importance of the Inspector General functions, and have given the office their full support in carrying out its assigned responsibilities. However, constraints imposed upon the Department of Education, have in turn affected the ability of the Secretary to provide the level of staffing support needed by the Inspector General to effectively carry out its assigned mission. These constraints are briefly commented on below.

Staffing Needs. In our last semi-annual report to the Congress, we pointed out that our preliminary analysis of staffing indicated the need for a substantial increase in audit and investigative staff. Our experience to date only serves to confirm this early judgment. However, the Department of Education has been operating under a legislative mandate to reduce its overall employment ceiling. Given this constraint, the Department has not provided adequate staffing for the Office of Inspector General. To fully carry out the responsibilities outlined in the IG Act, other legislation, various OMB directives, and multitudinous GAO recommendations, we believe our current ceiling of 300 should be at least doubled.

Adequate Training. As also reported in the prior semi-annual report, the OIG is placing a high priority on staff training. A highly-skilled, multi-disciplinary staff is required to respond to the complexities and problems of setting up a nationwide operation and carrying out audit, investigative, and security functions within the new Department. Most of OIG's existing staff must be trained to perform a broader range of assignments and new staff will require training in ED programs and operations.

To meet critical training needs in such areas as white collar crime, computer fraud, it is essential that the OIG be given sufficient training funds to achieve the well rounded staff necessary.

Travel Needs. It is important to emphasize that the mission of the Office of Inspector General can only be effectively accomplished if adequate travel funds are available. These funds are needed to travel to the entities that must be audited and investigated. Any decrease in needed travel funds results in the inability of the Inspector General to perform audits and investigations of those entities that may be considered more susceptible to fraud, abuse and mismanagement.

Question: Have you demoted or fired program managers for inattention and negligence to waste and fraud issues?

Answer: The Office of the Inspector General does not have the authority to take those types of personnel actions against program managers but would recommend, in appropriate situations, that officials with the requisite authority take such actions.

Although we have not yet made recommendations to demote or terminate any program managers, we are presently conducting investigations involving Departmental employees responsible for the administration of ED Programs. If, upon conclusion of those investigations, demotion or termination actions are warranted, the appropriate authority will be so advised.

Question: What specific examples of fraud and abuse have been uncovered by the Office of Inspector General in the past year?

Answer:

1. A state agency improperly applied lapsed Vocational Education FY 1978 funds totaling $3.7 million to FY 1979 project expenditures. Auditors recommended financial recovery of the amounts improperly expended.

2. Improper claims of $949,000 for a vocational rehabilitation program were disclosed in one state. A refund to the Federal government was recommended.

3. An estimated $440,000 in student financial aid administered by one college was improperly used and the allowability of an additional $1.3 million questioned. The funds have been recovered through financial adjustments.

4. Elementary and Secondary Education Title I funds of $2.1 million were used for an ineligible kindergarten construction project. Return of the funds to the Federal government was recommended.

5. A six count conviction resulted against a husband and wife who made false statements regarding family income on financial aid applications for their children. Extremely low income figures were given when actual joint husband and wife salaries were substantially above the cut-off limits for financial aid eligibility.

6. A student was convicted on charges of applying for multiple Federal Insured Student Loans. The student made various false statements in order to induce the lenders to make the loans.

7. Grand Jury indictments on 27 counts were returned against subjects operating a scheme to buy and sell non-existent Federal Insured Student Loan paper. The subjects operated nationwide and substantial monetary losses were incurred by some victims.

8. The conviction of a student who pled guilty to charges of bank fraud. The investigation disclosed that the subject had provided false information to obtain a $10,000 loan under the Health Education Assistance Program. The case resulted in the first conviction ever obtained of a student in this program. The individual was sentenced to prison for one year but, in lieu of incarceration, was given a three-year probation. The Immigration and Naturalization Service subsequently deported the individual to his native country.

9. A $1.2 million judgment was obtained as a result of an 18-month investigation of two west coast proprietary schools. The judge ruled that ED was entitled to recover $556,788, which was double the damages sustained for the owner's misappropriation of the school's student aid funds. An additional $684,000 was recovered based upon the aggregate of 342 false claims, each of which involved a forfeiture of $2,000.

10. A Federal Grand Jury returned an eight-count indictment against a husband and wife. She was working in the financial aid office of an education institution and he was applying for financial aid to attend the same school. The husband understated his income and his wife approved the awards. The wife was also indicted on two of the eight counts for misrepresenting her own income and marital status to obtain financial aid for her own education.

11. A Massachusetts man has been indicted on 20 counts of fraudulently obtaining guaranteed student loans. By using the names and schools records of others, the individual was able to obtain approximately $20,000 in federally insured loans on which he defaulted.

12. An employee of a state vocational training program prepared invoices to non-existent firms for training equipment. The employee was then reimbursed by the state with ED Vocational Training funds for the non-existent equipment.

NON-COMPETITIVE AWARDS

Question: To the extent possible, please provide a breakdown of non-competitive grants and awards to nationally based education associations thus far for FY 1981, and your budget plan for fiscal year 1982.

Answer: Through February 1981 there has been only one instance of a non-competitive award, to the American Federation of Teachers for $98,000 to support a Teacher Center Resource Exchange Technical Assistance Project. There are no non-competitive contracts now planned for FY 81 in this area. At this time we have not finalized our FY 1982 plans but expect to carry out activities similar to FY 1980 and 1981.

Question: What safeguards do you have to avoid conflict of interest situations involving grants to organizations engaged in lobbying or providing political support?

Answer: None. If an organization is otherwise eligible for support according to the laws and regulations for a given program, and the grant application is for work authorized and intended by legislation, we have no basis for excluding them from eligibility.

Question: How many contracts were awarded at the direction of the Secretary of Education or other top ED management during Fiscal Year 1980? Could you provide a list of such contracts for the record?

Answer: One such award was made during FY 80, an award of $900,000 to the National Urban League for an assessment of the Social Implication of the Follow-through Program.

Question: How many requests for non-competitive contracts disapproved by ED's non-competitive review board during Fiscal Year 1980 were subsequently awarded? Could you provide a list of any such contracts for the record?

Answer: None.

Question: Has ED established any new procedures to insure that more of its contracts are awarded competitively?

Answer: The Office of Procurement and Assistance Management of ED has established policy and procedures for handling non-competitive procurements, specifically for the operation of a Non-competitive Review Board. Also, OPAM has established policy guiding the procurement planning process, and the documents used therein, to ensure that the highest degree of competent procurement planning and processing is followed.

CONTRACTS

Question: How much of your contract costs were spent in the last month of Fiscal 1980? Why?

Answer: The Department of Education made 291 awards for $111,535,943 in the last month of the fiscal year, compared to a total of 787 awards for all of FY 80, totalling $190,300,211.

The proportion of contract awards in the last month is somewhat high, in part because of the lead time required for all contract awards, as well as because of uncertainties during FY 80 about what would or would not be considered as "consultant service" awards, which caused a significant delay.

Question: How much of that was awarded for non-competitive contracts?

Answer: In FY 80, there were 119 non-competitive contracts awards, totalling $26,502,879.

Question: How do you define competitive and non-competitive awards?

Answer: The Education Department definition for competitive and non-competitive contract awards can be found in the Education Department Procurement Regulations (EDPR), 34 CFR Part 3, Section 3.802-50: "Non-competitive procurements." (A copy of the applicable sections of the EDPR is attached.)

The cited section reads, in part:

"(d) Competitive Procurement. A procurement is competitive when the Government provides the opportunity to more than one source to submit bids, offers, or quotations...."
Also,

"(e)(2) The decision to classify a specific procurement as competitive should be made at the point in the procurement process prior to issuance of a presolicitation synopsis where required, or solicitation(s) where a presolicitation synopsis is not required. This classification is fixed throughout the procurement's life and may not be subsequently altered even though only one offer is received."

Question: Are there ever instances where only one application was received and you still considered the award to be competitive?

Answer: Yes. (See the answer to the question above.)

TRAVEL

Question: How many trips per capita were made last year by the Department of Education?

Answer: Based on paid vouchers Department staff made 14,392 trips in Fiscal Year 1980. This number covers the old Education

Division under HEW and the new Department from May 5, 1980, to September 30, 1980. It does not include such offices as OCR, OIG, RSA and other units prior to this transfer to ED. We do not have access to these records.

Question: What is the average length per trip and thus total cost per trip?

Answer: We do not have this information available at the present time. However, we are currently gathering information as part of our response to P.L. 96-346 which requires GSA to gather statistical information on each agency's travel and submit a report to Congress. Based on a random sample of 200 vouchers, GSA will project the average trip length and cost and the percent of travel in various categories. We will provide this information to the Committee when it is available.

Question: For what purposes were the majority of trips made?

Answer: As with the previous response, this information will be provided when the GSA study is available. However, we expect the data to reveal our major travel purpose to be monitoring of grants and contracts.

Question: Please provide for the record a breakdown of trips in the various categories including conferences, training, operational or managerial activities, special missions, other categories.

Answer: This information also will be available when the GSA study is complete.

Question: Provide for the record a tabulation of travel expenses for all recipients of ED grants and contracts?

Answer: The Department does not collect information on the travel of recipients of grants and contracts.

Question: Is there a central official or office monitoring all travel for the Department?

Answer: No, there are ED rules and procedures covering travel by Department employees. These are monitored by the managers in each office.

Question: What has the Department done to explore the use of conference calls, the exchange of videos, the use of telecopier, and exchange of information by mail, as alternatives to travel?

Answer: The Department has explored all of these mechanisms for reducing travel. Every regional office has a telecopier, a daily overnight mail pouch is delivered to the regional offices, and extensive communication by phone and mail is carried out with our clients. Some of our largest clients also have telecopiers through which we communicate. We have had some use of video tapes particularly when the audience is larger such as for the Education Department General Administrative Regulations.

Question: Should the same travel savings be encouraged for ED grantees and contractors?

Answer: Yes, and we have done so in our technical assistance activities with client groups.

Question: If so, can you estimate the amount of savings as a result of alternatives to travel?

Answer: Without extensive information on the travel of grantees and contractors, it is impossible to estimate the amount of savings resulting from alternatives to travel. One can readily see that most alternatives to travel are much less costly. However, there is some travel for which alternatives such as phones and mail are inadequate. For example, monitoring the implementation of a project that has experienced major problems must be done on site. An audit also must be done on site.

PERSONNEL

Question: What is the anticipated number of full-time equivalent personnel in Department of Education at the start of Fiscal 1982?

Answer: We anticipate 6,910 full-time equivalent personnel in the Department at the start of Fiscal Year 1982.

Question: Will this staffing level meet the requirement that the number of personnel in the Department be reduced by 500 at the end of the first fiscal year of operation?

Answer: Yes, the total reduction exceeds the required 500 full-time equivalent position reduction by 256 positions.

Question: What will be the amount and percent of personnel reduction in each of the Divisions in the Department of Education?

Answer: Since 356 or 4.6% of these positions were never assigned to organizations within the new Department, it is impossible to provide the requested information. When the Department was created our defaulted student loan collections effort included 750 full-time equivalent positions. Approximately 53% or 400 full-time equivalent positions are being reduced from this effort which will be undertaken largely by private collection agencies for a percentage of the collected funds.

Question: Have your employee counts taken into consideration part-time employees, temporary workers, and other itinerant personnel such as consultants who are performing tasks that otherwise might be assumed by regular employees?

Answer: Part-time and temporary employees, consultants, and other types of employees have been included in our counts of full-time equivalent positions.

SAVINGS

Question: What are the anticipated budgetary savings to be achieved through reductions in staffing?

Answer: From 1980 - 1981 we expect to save approximately $10.5 million for the 356 non-collector positions. We expect the private collection agency costs to be the same as or less than the collector costs. Until the contracts are awarded and we have some experience with their costs we cannot estimate savings.

CONSULTANT SERVICES

Question: In your prepared statement you describe the use of consultant services and note that the fiscal 1982 request submitted by the Carter Administration was for $25.3 million but that OMB has since advised you that the ceiling should actually be $33 million. How do you account for this increase?

Answer: Prior to creation of the Department many of the components which eventually came to the Department expended funds for consultant services. When ED was given a 1980 ceiling it did not include these consultant services, but only those that were done by the old Education Division under HEW and those to be done by the new Department after May 5, 1980. OMB decided the FY 1981 and 1982 ceiling would be the same as FY 1980. After consultation OMB agreed we should be given credit for the earlier non-Education Division ceiling. In addition, the FY 1981 ceiling was to include field readers (peer reviewers) which was not the case in prior years.

DEPARTMENTAL MANAGEMENT

Question: To what extent will there be reductions in the budget request which can be attributed to efficiency in program administration?

Answer: Most of the reductions in the budget request are directly related to reductions in personnel. In order to operate our programs and offices with fewer people and within a requested budget level that does not fully cover inflationary costs, it will be necessary for ED to make use of a variety of administratively efficient techniques. We will be using ADP and work processing equipment to a much greater extent. Reductions in the requirements placed on our clients through regulations and reports will reduce our workload. We have established a Secretarial objectives system within the Department to assure available resources are devoted to our highest priorities. The Secretary has urged every manager to seek and implement the most effective, cost efficient methods to accomplish their work.

EVALUATIONS

Question: For what specific activities will consultants be used in fiscal year 1982?

Answer: Consultant services contracts are awarded to produce products necessary to the administration of the Department and the many programs administered by the Department. Most of these contracts are for studies, analyses, and evaluations in the various program areas; a few are Congressionally mandated such as the reauthorization study for the Vocational Education Act awarded in 1980. Another 1980 study concerned the development of cost estimates of the paperwork involved in the Vocational Education Data Systems. Other studies included a validation of data gathered in the Higher Education General Information Survey and a study of the Federal "set-aside" available for limited English-speaking individuals. One 1980 consultant services contract was let for the development of a specialized exhibit for the handicapped. Some evaluations, such as the assessment of the Women's Educational Equity Act Program, are considered consultant services. Other activities falling under this designation are the development of ADP systems and training programs.

Question: To what extent could these activities be handled by researchers at the National Institute of Education (NIE) and the National Center for Education Statistics (NCES)?

Answer: Very often the kinds of activities accomplished through consultant services are provided by persons and/or organizations whose knowledge and special abilities are only needed in specialized areas for a discrete period of time. The required resources for these activities are not always available inhouse -- at NIE, NCES, or elsewhere -- at the time they are needed or in the particular interdisciplinary areas which are involved. Moreover, it would be inefficient for NCES and NIE to hire those resources when they would not be used on a year-round basis.

Question: How much do you expect to spend on evaluations of Title I?

How can you justify this expenditure under Departmental Management when $11.7 million is being requested for evaluation and studies under the Title I program under the Elementary and Secondary Education portion of the budget?

Answer: The $11.7 million have been requested for evaluations of Title I programs of the Elementary and Secondary Education Act, as authorized by Section 183 of Public Law 95-561. These funds are set-aside for evaluations. The evaluation projects are administered by the Office of Evaluation and Program Management, an office which serves as a center for objective professional analyses of the programs of the Education Department. Efforts are coordinated to assure that the funds requested for the Office of Management do not duplicate the evaluations supported through the program set-asides, but rather complement these efforts.

The Title I evaluation set-aside is required by law to meet State and local needs for technical assistance regarding evaluations. Eleven million dollars are requested to provide technical assistance through ten regional centers and contracts with States. Remaining funds are requested to develop handbooks on effective practices and to support analyses of reauthorization proposals.

HANDICAPPED-BLIND

A Department of Labor Administrative review was concluded in May, 1980, with the finding that the Department of Labor lacks sufficient authority to establish a minimum wage requirement on behalf of blind workers. A Fair Labor Standards Act exemption, which applies to blind workers, allows pay rates to be as low as 25% of the Federal minimum wage.

Question: To what extent does the Department of Education award grants and contracts to individuals and programs that have applied for and received this exemption?

Answer: None.

Question: Has the Department formulated a policy or offered a recommendation for legislation to the Congress, to remedy this situation?

Answer: No, since this issue has not surfaced as a problem within the Department, no policy recommendations have been made.

ED WORKFORCE

Question: What is the composition of the Department of Education workforce, in terms of Handicapped Individuals, Women, Blacks, Hispanics, Native Americans, Orientals, Aged?

Answer: Composition of the Department Work Force as of January 1, 1981, by Minority/Sex group and Handicapped condition:

	Total	Male	Female
Handicapped	148	-	-
Blacks	1,960	493	1,467
Hispanics	180	92	88
American Indian/Alaskan Native	17	9	8
Asian Am./Pacific Islander	73	37	36
Women	3,211	-	-

Information regarding the Aged is not available and cannot be obtained.

Question: For each of the above groups, identify the percentages of individuals in clerical, technical, and administrative positions, and identify any shifts between those areas in the last year.

Answer: The approximate percentage of the groups identified above in each employment category is as follows:

Professional

Blacks: 16.7%
Hispanics: 3.2%
American Indian/Alaskan
Native: .62%
Asian Am./Pac. Is.: 1.4%
Women: 37.5%
Handicapped: 1.82%

Administrative

Blacks: 26.5%
Hispancis: 4.7%
American Indian/Alaskan
Native: .3%
Asian Am./Pac. Is.: 1.8%
Women: 45.7%
Handicapped: 2.0%

Technical

Blacks: 47%
Hispanics: 3%
American Indian/Alaskan
Native: .5%
Asian Am./Pac. Is.: .5%
Women: 71.8%
Handicapped: .72%

Clerical

Blacks: 51%
Hispancis: 2.7%
American Indian/Alaskan
Native: .32%
Asian Am./Pac. Is.: 1%
Woman: 82.4%
Handicapped: 1.9%

Question: How have minorities fared in the percentages of promotions in the Department of Education workforce during the last year?

Answer: The percentage of promotions of minorities in the Department of Education workforce is a follows:

Group	Percentage Promoted
Blacks	34.0%
Hispancis	2.9%
American Indian/Alaskan Native	.28%
Asian Am./Pacific Islander	1.6%
Other	61.22%

MAINSTREAMING

Question: What problems have you had with your regulations for mainstreaming handicapped students into normal school curriculums?

Answer: We do not feel that there are any significant problems with the regulations in this area. The major issue faced with regard to mainstreaming is drawing the clear distinction between the term "mainstreaming," and the term "least restrictive environment (LRE)." "Mainstreaming" refers to the placing of handicapped children in regular classrooms, and it is not a requirement of the Act. "Least restrictive environment" refers to the placing of a handicapped child in an educational environment as close to the regular classroom as possible, given the nature and severity of that child's handicap. LRE is a requirement of the Act.

Confusion on this issue has surfaced in a number of ways. First, some educators felt this concept still allows for the categorical placement of all children with a particular handicap into a given educational environment. For example, they assume all visually impaired can be sent to a school for the blind. This is not true. Each child's handicap and capabilities must be examined individually to determine the placement closest to the regular classroom in which that child can appropriately function.

Second, many parents and educators assume that LRE means mainstreaming and that all handicapped children must be placed in regular classrooms. This is also not true. A child's handicap may be of a nature or severity that makes a regular classroom setting inappropriate for that child. The child may be removed to a resource room, a self-contained classroom, or even to a residential school if that child's individual problem is serious enough.

We believe that the regulations appropriately address the least restrictive environment provision of the Act. We will continue to address concerns which arise in this area through technical assistance and compliance monitoring.

Question: What comments do you have on the use of "isolation boxes" in classrooms for hyperactive children?

Answer: The decision to use "isolation boxes" must be made on a case-by-case basis according to the best professional judgement of the educators dealing with a particular child and the parents of that child. The option of using this technique for a particular child should be discussed by the educators and the child's parents when the individualized education plan is developed.

PERSONAL ASSISTANTS FOR HANDICAPPED EMPLOYEES

Question: The Federal Advisory Committee Act was recently signed permitting the employment of personal assistants for handicapped Federal employees. Have any personal assistants been hired yet?

Answer: Over the past several years a small number of personal assistants have been hired, some on temporary appointments, others on part-time permanent appointments, and a few on permanent appointments. We have also made use of volunteers whenever possible.

Question: What are the Departments future plans for implementing this Act?

Answer: None have been developed pending receipt of details of the new law and OPM guidelines.

Question: Do you anticipate an increase in the handicapped workforce as a result of this Act?

Answer: While it would most likely lead to an eventual increase, present administration ceiling and budget reductions will likely postpone any significant change.

FLEXTIME

Question: For effective management each Department or agency requires coordination of efforts between a number of individuals. Do you find productivity is decreasing because all persons are not available during the same hours as a result of flextime?

Answer: There have been no studies of the effect of flextime on productivity in ED. However, Labor Relations has received no complaints regarding productivity.

Question: What have been the major complaints about employee flextime?

Answer:

-- Difficulty in verifying abuse of time because of absence of sign in/out sheets.

-- Provision of supervisory coverage throughout workday.

-- Difficulty of changing schedule and resulting appeals.

-- Perception of top managers of unavailability of employees when needed.

Question: What have been the advantages of employee flextime?

Answer:

-- Apparent morale boost.

-- Extended workplace coverage particularly vis-a-vis Western offices.

-- Perceived reduction in tardiness and leave usage.

-- Commuting is possible outside peak rush hours.

Question: Have your audits revealed less sick leave or changes in overtime for employees that have switched to flextime?

Answer: No formal study has been conducted. Impression is reduced usage of sick and annual leave. Other factors have reduced overtime.

Question: Do you intend to maintain this worktime policy indefinitely, or is it still in an experimental stage?

Answer: Experiment ends in June 1981. Continuation requires union negotiation. Probably would desire to continue with some changes to provide management with greater flexibility.

Changes suggested are:

-- More supervisory control over sign in/out.

-- Streamline procedures for management instituted changes.

Question: Should it continue?

Answer: Yes, with changes noted above.

Question: Is there any indication that employee morale has improved or worsened since adopting flextime?

Answer: Every indication is employee morale was favorably impacted by flextime. Very likely to be adversely affected by discontinuing.

EFFICIENCY

Question: What identifiable actions have been taken by the Department of Education to bring about greater efficiency in the administration of Federal education programs?

Answer: Some specific endeavors to bring about greater efficiency in the administration of Federal education programs include:

Quality and Productivity Increases -- Through a series of seminars we have introduced to ED the private sector concept of quality control. Three projects involving quality control techniques for personnel, finance, and procurement operations have been initiated and are on-track.

Office Automation -- In collaboration with the Office of Personnel Management, we are installing an office automation laboratory which will serve as a demonstration of modern office communication techniques. We are testing ways in which office automation techniques will free certain staff from inefficient paper handling, and enable them to devote their time to more productive duties.

Administrative Communications System -- In cooperation with the National Archives Records Service, we have designed and are installing a departmental directives management system. The goal of the Administrative Communications System is to assure the efficient development and implementation of internal directives which officially state administrative policies and procedures. Our system brings about greater efficiency by providing concise and current information to managers on policies and procedures related to Federal procurement management, financial management, personnel management, and administrative management.

We are also introducing systems to reduce program audit exceptions, to improve debt collections and to save telecommunications costs. Many of the systems and projects underway will have big payoffs in increased efficiency. Because of the extensiveness of the systems that must be designed and implemented, total reform of Departmental management will take considerable time.

Question: What reductions in the budget request can be attributed to existing or anticipated increased efficiency in program administration?

Answer: During FY 1981 we have been involved in efforts to assure an orderly and economical transition to departmental stature. We will begin FY 1982 with lower operating costs as a result of completing the reduction of the equivalent of 500 full-time positions, as mandated in the Department of Education Organization Act. The focus of the cut on permanent positions was targeted on overhead functions. As we move to streamline and slenderize ED, we believe we can achieve further savings and avoid unnecessary costs in the future.

Question: Aside from budgetary reductions, what actions have been taken to improve the administration and delivery of Federal education programs?

Answer: Primary developmental goals of the Department are to improve and to coordinate program and management evaluation activities, and to schedule these activities to respond to different program needs, particularly during the legislative reauthorization cycles. Evaluation results will thereby be timely and instrumental in improving program administration and delivery of services. A critical step in the process is to set program objectives. We are using the "evaluability assessment" approach -- an in-depth, analytical method of setting objectives and measures. In addition we are currently testing and refining a technique known as "service delivery assessment." In a service delivery assessment we get grass-roots program feedback from teachers, students, parents and school administrators. Such studies provide the Secretary with crucial information that can be used to improve ED operations and can give early warning of problems that State and local agencies or institutions are having in carrying out federally sponsored education programs.

The law creating the Department of Education requires the appointment of an Intergovernmental Advisory Council on Education. The Council provides an important forum for educators, government officials and citizens to discuss and to make recommendations for improving Federal program administration. The Council has been officially activated and has received strong support by ED leadership.

Question: What actions have been taken to relieve State and local educational agencies of administrative burdens related to Federal program requirements?

Answer: The Department's improvements in its regulatory process have already had a significant impact on relieving State and local education agencies of administrative burdens related to Federal program requirements. The process is designed to reflect Congressional intent, to shorten the time period for producing regulations, and to improve participation by State and local agencies and other parties affected by proposed regulations. As a result, ED has reduced 150 pages of procurement regulations and is expected to liminate 100 pages of regulations for unfunded programs. We anticipate major relief to State and local agencies can be achieved through our efforts to (1) reduce State burden under the Rehabilitative Services Administrations Management System, (2) simplify student financial aid forms which will reduce overpayments and underpayments, and (3) consolidate non-discrimination assurance forms in the Office for Civil Rights. In addition, a comprehensive paperwork reduction review sponsored by ED is being conducted by the Carnegie Foundation for the Advancement of Teaching.

Another important action we have taken to relieve education agencies of Federal program requirements is to organize and integrate the functions of forms clearance with the Federal Education Data Acquisition Council, and with the Family Education Rights Act. This has the benefits of consolidating into a single, streamlined process the work of internal forms clearance and the Councils' review process. For the first time, ED can have a unified policy on the clearance of ED data collection activities.

ADVISORY COMMITTEES

Question: How many advisory committees does the Department of Education currently have?

Answer: The Department of Education currently has 23 chartered advisory committees. They are:

Advisory Council on Dependents' Education
Advisory Council on Developing Institutions
Advisory Council on Education Statistics
Advisory Council on Native Hawaiian Education
Advisory Panel on Financing Elementary and Secondary Education
Asbestos Hazards School Safety Task Force
Commission on the Review of the Federal Impact Aid Program (Expires Sept. 1981)
Community Education Advisory Council
Federal Education Data Acquisition Council
Intergovernmental Advisory Council on Education
National Advisory Board on International Education Programs
National Advisory Committee on Accreditation and Institutional Eligibility
National Advisory Committee on Black Higher Education and Black Colleges and Universities
National Advisory Council for Career Education
National Advisory Council on Adult Education
National Advisory Council on Bilingual Education
National Advisory Council on Continuing Education
National Advisory Council on Ethnic Heritage Studies
National Advisory Council on Indian Education
National Advisory Council on the Education of Disadvantaged Children
National Advisory Council on Vocational Education
National Advisory Council on Women's Educational Programs
National Board of the Fund for the Improvement of Postsecondary Education

Question: Of this number, how many have been mandated by legislation?

Answer: The National Advisory Committee on Black Higher Education and Black Colleges and Universities is the only ED committee that is not mandated by legislation.

Question: What procedures are used to terminate advisory committees when their services are no longer needed?

Answer: Advisory committees can be recommended for termination through the Annual Comprehensive Review process that is required by the Federal Advisory Committee Act (FACA). Also, Sec. 448(b) of the General Education Provisions Act (GEPA) provides that if the Secretary determines that a statutory advisory council is not needed or that the functions of two or more statutory councils should be combined, he/she can make specific recommendations to terminate or consolidate a committee in the report on advisory committee activities which is due to the Congress by June 30 of each year. Non-statutory committees can be terminated by the Secretary at any time or when the operating charter expires.

Question: To what extent is there balance in membership between representatives of State and local agencies administering programs and client groups being served by the programs?

Answer: One of ED's first concerns in balance of membership of advisory councils is to make sure that all the categories of expertise that may be required by the enabling legislation of a particular advisory council are met through the appointment process. We do have representatives of State and local agencies, client groups, consumers, and students on our councils.

Question: Does the Department have any recommendations concerning the number, structure, or activities of advisory committees?

Answer: The Annual Comprehensive Review of ED advisory committees will be concluded by April 15. At that time recommendations regarding the number, structure, alignment, functions and budget of our committees will have been made.

IMPACT AID

Question: The Department has submitted a proposed request for supplemental budget authority of $424,000 to continue operating the Commission on the Review of the Federal Impact Aid program. This program was extended by the Congress through September 30, 1981. The Administration has targeted the Impact Aid program for revision. Does the Department intend to pursue this supplemental request?

Answer: No, the Department does not intend to pursue this request.

Question: How will the Commission continue operating if the supplemental is not approved?

Answer: The commission will continue to operate in Fiscal Year 1981 with funds provided within Departmental administration specifically for advisory committees, under the Continuing Resolution.

Question: When can the Congress expect a final report?

Answer: A meeting of the Commission is now scheduled for July 16, 1981, for adoption of the final report. The report is scheduled to be submitted approximately six weeks thereafter.

Question: What conclusions can you cite, thus far, from the bulk of the Commission's work which has been completed, regarding changes in funding of parts A & B of the Impact Aid Program?

Answer: On February 18, 1981, the Commission sent a copy of its draft report to the Secretary for comment and it is currently being reviewed. Generally the Commission recommends that all entitlements under the Impact Aid Program be fully funded--both "A" and "B" category entitlements. The Commission also recommends that, if it is not possible to fund all entitlements fully, entitlements for approximately 300 heavily impacted school districts be funded fully and the others on a pro rata basis.

PLANNING AND EVALUATION

Question: Will funds be requested for planning and evaluation under "Departmental Management"?

Answer: Funds have been requested for the conduct of program and management evaluation activities under "Departmental Management". Section 416 of the General Education Provisions Act (GEPA) authorizes funds to support both planning and evaluation studies, and in the past, funds have been requested under this account for both kinds of studies. For the FY 1982 budget request, the account has been revised and supports only the conduct of program and management evaluation activities.

Question; Aren't such activities also being conducted in various other units in the Department?

Answer: While certain programs of the Department have funds set aside for evaluations, the majority of the programs rely on Program and Management Evaluation funds for the conduct of evaluation studies. For most ED managers, the studies funded under this account represent the only mechanism for obtaining reliable, independent and current information on their programs. The planning of evaluation studies is centrally focused in the Department so that all evaluation efforts are coordinated and so that evaluation activities of the Department complement each other. The Office of Evaulation and Program Management is developing an evaluation planning model which will provide a consistent rationale and framework for preparing long-range individual program evaluation agendas to be implemented during each year, the legislative cycle. The model is designed to improve the timing and consequent utilization of evaluation findings for better informed decisions.

Question: For what specific activities would these funds be used? How are these planning and evaluation activities conducted differently from those by other units within the Department?

Answer: The Office of Program Evaluation (OPE), one of the two major components of the Office of Evaluation and Program Management, is responsible for evaluating the effectiveness of ED's programs. OPE concentrates on evaluation studies designed to: measure the effects of programs on participants; provide managers with information on program operations at the national level; and provide technical assistance in evaluation techniques to States and local school districts.

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After much consultation with program and other relevant staff, OPE staff develop the basic design of evaluations. The sources for data collection, analyses and report presentations are generally procured through the competitive contracting process, because the time and staff required for these activities far exceed the capacity of OPE. OPE does provide, however, close monitoring of and technical assistance to these project phases.

The Office of Management Evaluation (OME) is primarily concerned with expanding the use of evaluative techniques to foster management and program improvements throughout the Department. To accomplish this goal, ED is placing a major new emphasis on quality control reviews, work measurement studies, organizational analyses and systems analyses. In addition, shorter term evaluations are planned to make better use of limited resources and to meet budget and reauthorization timetables.

Question: What contributions have these activities made to the improvement of program administration or better planning in the Department thus far?

Answer: The management analyses and the program effects studies provide a base of objective information for actions to improve operations and impact. Examples of the many evaluation studies which have had significant impact on programs include:

- A major study conducted on the Title VII Spanish-English Bilingual Education Program resulted in changes in legislation, program management, program regulations and appropriations.
- Section 183 of Title I of the Elementary and Secondary Education Act mandated the development of education models and the provision of technical assistance to States and local districts receiving Title I funds. Program evaluation staff, in conjunction with a contractor, developed a system which

local school districts use to report to State education agencies on the achievement of Title I students; States forward these results to ED for compilation and reporting to Congress. Ten technical assistance centers have been established to provide technical assistance on evaluations to State and local education agencies on this reporting system.

- A study of requirements for funds State Guaranteed Agencies in the Guaranteed Student Loan (GSL) program was used by the House Subcommittee on Post-secondary Education in reauthorization hearings for the GSL program.
- A number of studies have contributed to the development of two budget projection models for the Basic Educational Opportunity Grant (BEOG) and the Guaranteed Student Loan programs.

DEFAULTED LOANS

Question: What progress can you report in collection of defaulted student loans from the previous year's efforts?

Answer: A comparison of FY 1979, FY 1980 and FY 1981 (as of 1-31-81) collections data shows we have continued to make significant progress in the collection of defaulted loans. For example:

Guaranteed Student Loan Program

	FY 1979	FY 1980	FY 1981 (as of 1/31/81)
$ collected	$42.1 m	$42.7 m	$12.9 m
Accounts in repayment (cumulative)	103,660	83,268	77,184
Accounts paid in full (cumulative)	51,512	72,561	78,409

National Direct Student Loan Program

	FY 1979	FY 1980	FY 1981 (as of 1/31/81
$ collected	$ 96,000	$2.5 m	$1.7 m
Accounts in repayment (cumulative, approx.)	N/A	12,900	15,000
Accounts paid in full (cumulative)	N/A	2,203	3,722

Question: What problems does the Department of Education continue to encounter in loan collections?

Answer: The biggest problem we encounter in collecting defaulted student loans continues to be locating debtors due to their high degree of mobility. As a result, we utilize many different techniques to skip-trace our accounts, including: use of the IRS locator service, U.S. Postal Service traces and Department of Motor Vehicle listings, matches of our default files with other computerized files, and credit bureau reports. Another significant problem involves the ineffectiveness of the initiative to litigate defaulted accounts. This initiative is hampered because many U.S. Attorney offices are not able to litigate accounts or to collect on successfully litigated accounts due to insufficient personnel.

ANALYSIS OF 1980 CENSUS DATA

Question: The Education Amendments of 1978 provide that 1980 census data by school district be made available to the Secretary of Education for use in allocating funds going directly to local education agencies, in programs such as grants for disadvantaged school children under Title I of the Elementary and Secondary Education Act. To what extent is 1980 census data now being made available to use in the allocation of funds for local educational agencies grant programs such as Title I of the Elementary and Secondary Education Act?

Answer: Due to the Census Bureau processing schedule, 1980 census counts providing data for use in Title I allocations could first be available in the second half of 1982 and could then be used for grants distribution for the 1983 - 1984 school year. However, due to the nature of the fiscal year 1981 continuing resolution, the project funding to make census data by school district a reality was not forthcoming. Such data can be used to aid the States or others in designing LEA level allocation formulae and in making subcounty allocations.

As the Federal law is presently written, however, data are also needed on counts of AFDC and foster children which are not available by school district for all States. Therefore, LEA allocations cannot be made at the present time under current formulae even with census data by school district.

Question: What problems have been encountered in working with the Bureau of Census in planning and securing the information?

Answer: The Department of Commerce, Bureau of the Census, places first priority on collecting and disseminating the decennial census information. The Census Bureau is willing to do the project which will provide the needed information after fulfilling their primary responsibility. However, their position is that securing the funding for a mandated project is the responsibility of the agency requesting the project.

The Department did decide to contract for the production of the census data by school district. However, the project was eliminated under the Fiscal Year 1981 continuing resolution.

Question: How much has been spent thus far in analyzing 1980 census data?

Answer: There have been no expenditures thus far in analyzing 1980 census data.

Question: From what account are funds being taken for this purpose?

Answer: A 1981 request under Departmental Management for $1,000,000 was eliminated from the House mark, and thus from the 1981 Continuing Resolution.

Question: Have any funds been used from Title I Evaluation and Studies?

Answer: No funds have been used from Title I Evaluation and Studies.

NDSL CASH MANAGEMENT

Question: A recent GAO report called for Better Cash Management of the National Direct Student Loan Program. It reported that some schools participating in this program hold a significant amount of funds, about $63 million, in excess of their 30 day needs. GAO estimates that if Treasury had this money, it could save the Government $4 million in annual interest costs.

What is done to improve management of the NDSL program and reduce the cost to the Federal Government?

Answer: The following procedures were implemented as a result of discussions with GAO during their study and as a result of their final report which was released in November 1979.

Beginning in April 1978, the Department established procedures whereby an institution may withdraw new Federal capital from its cash account in an amount not to exceed its needs for the next thirty days. As a result of this policy, the excess Federal capital not withdrawn by the close of award period increased from approximately $9 million as of June 30, 1978, to $25 million as of June 30, 1979. Those funds to the U.S. Treasury.

The Department implemented a late summer re-distribution of unexpected NDSL funds as of June 30, 1980, to other institutions with remaining unment needs for use during the 1980-81 award period, rather than reverting $4 million of unexpected NDSL funds as of June 30, 1980, to the U.S. Treasury. We plan to carry out the same procedure this coming summer.

This policy is preventing any increases in the cash-on-hand in institutional loan funds but does not address the matter of any existing excess cash in the fund. Therefore, in July 1979, a letter was sent to all institutions advising them that any Federal cash in their loan fund which is not needed during the remainder of each academic year must be returned by check to the Department of Education. During 1979 and 1980 more than 200 institutions returned approximately $19 million of excess cash. These funds reverted to the U.S. Treasury.

The $63 million amount mentioned in the GAO Report was the actual cash balance held by more than 3000 institutions as of June 30, 1978. Most of these funds were repayments by previous borrowers during the last quarter of the academic year which were collected too late for re-lending in 1977-78. These funds were then added to additional collections during the 1978-79 academic year and became the lending pool for that year.

Each year in the institutions for the fiscal-operations report we remind institutions that excess cash must be liquidated and a check for the Federal share returned with their report.

Question: How serious is the problem of inaccurate estimates of NDSL needs by the schools which result in larger than needed Federal allocations?

Answer: Overetimates of need by some institutions in the NDSL program are a very little consequence. Institutional allocations are determined by procedures contained in the Higher Education Act as amended, and in current regulations. The institution's allocation is based on its previous utilization of funds and a Fair Share of any remaining funds. The institution's request merely serves as a ceiling so that the computed allocation would be reduced to its request.

STUDENT AID COMMISSION

Question: A Student Financial Aid Commission was authorized by Congress but not funded. The Carter Administration had requested a reprogramming of funds this year to begin the Commission. The Reagan Administration, however, withdrew this request.

Do you expect the Administration to request funds for a student financial aid commission at some later time?

Answer: The Administration is requesting a $750,000 Supplemental appropriation for the National Commission on Student Financial Aid and a reprogramming of $150,000 Education Department salaries and expenses funds in fiscal year 1981 so that Commission can begin its activities. In fiscal year 1982, $1,000,000 is being requested to support the Commission.

Question: Which existing offices or divisions within the Department of Education would be equipped to conduct an in-depth study of student financial aid programs should a new commission not be established?

Answer: The following offices or divisions within the Department of Education are equipped to do all or part of the in-depth studies of student financial assistance if the Student Financial Aid Commission is not funded. In most instances, some or all of the work would have to be contracted out and might require financial resources not currently or anticipated to be available.

(1) Postsecondary Programs Division of the Office of Evaluation and Dissemination.

(2) Education Finance unit of the National Institute of Education.

(3) Postsecondary Education Analysis Division of the National Center for Educational Statistics.

(4) Basic Grants Policy Division of the Office of the Assistant Secretary for Postsecondary Education.

(5) The Technical and Policy Analysis Division of the Office of the Assistant Secretary for Planning and Budget.

(6) Division of Quality Control of the Office of the Assistant Secretary for Management and Evaluation.

(7) Division of Guaranteed Student Loan Policy of the Office of the Assistant Secretary for Postsecondary Education.

(8) Fund for the Improvement of Postsecondary Education.

OCR OTHER SERVICES

Question: The Office is requesting $12,986,000 for "Other Services," which is approximately 25 percent of its entire budget for FY 82. What are the main elements of this request?

Answer: The main elements ($12.1 million) are technical assistance and consultant services contracts. Other items include compliance information and assistance contracts, ADP contracts and services, and maintenance agreements for rental equipment.

ORGANIZATION AND MANAGEMENT

Question: Is the process of organizing the Office for Civil Rights within the Department of Education now complete?

Answer: Yes. The Office for Civil Rights' organizational structure was approved by the Department of Education on January 14, 1981.

Question: Is the process of organizing the regional OCR offices within the Department of Education completed?

Answer: Yes. The regional office structure was included in the overall organizational structure which the Department approved.

Question: It is not clear whether all the offices, divisions and branches that compose the Department of Education's OCR have persons named to head them. Recently, a number seemed to have just acting heads. Are permanent heads now assigned to each entity? If not, when do you plan to complete that phase?

Answer: The office has a large number of supervisory positions at the office, division and branch levels. Therefore, it took some time to fill these positions after establishment of the new Department. Also, because of the number of positions involved, it is difficult to keep them all filled. However, we have made considerable progress in reducing the number of acting supervisors. All office level positions at headquarters, with one exception, are filled and 7 of the 10 regional offices have permanent directors. Currently, there are 3 division and 6 branch head vacancies in headquarters and 7 division and 3 branch head vacancies in the regional offices. These jobs are vacant because of recent attrition or because of the government hiring freeze. When we receive the authority we will try to fill these jobs as quickly as possible under merit selection procedures.

Question: How has the efficiency and effectiveness of OCR been impacted upon by continuing administrative changes?

Answer: Because most of the supervisory positions have been filled there has been relatively little impact. However, administrative changes within the Department have affected some compliance activities, including the issuance of several policy interpretations and compliance standards.

SCHOOL SURVEY

Question: The "101/102" Survey is the common name for a biennial civil rights survey of public schools and school districts. OCR has been conducting this survey since 1968. How are school districts selected for the 101/102 survey?

Answer: The sample selection for the 1980 survey was based on 3 groups of school districts:

(1) districts identified, on the basis of 1978 survey data, as most warranting of monitoring with respect to one or more measures of equity in the treatment of pupils of different (a) racial/ethnic background, (b) sex, or (c) handicapping condition;

(2) districts applying for funds under the Emergency School Aid Act;

(3) random sample of remaining districts with enrollment of at least 300 pupils.

Question: Are districts not included in the sample generally not subjected to compliance reviews?

Answer: Districts not included in the sample are subject to compliance reviews. This is because data obtained by the survey is only one consideration in selecting review sites. For example, a district might be selected for review based on complaints and other information brought to the attention of our regional offices.

Question: If a school district selected to participate in the 101/102 survey does not complete or return the survey form, is it penalized in any way? To what extent has this been a problem?

Answer: The Office has never penalized a school district for failing to complete the survey. However, a recipient is subject to an enforcement action under implementing regulations if it refuses to furnish the requested information. In almost all cases, we are able to secure the cooperation of school officials. Currently, the response rate for the Fall 1980 survey exceeds 97 percent.

Question: Approximately how many hours of work does it take for a school district to complete the 101 survey form? How many hours does it take to complete the 102 survey form?

Answer: The latest estimates are one and one-half person hours for the 101 form and five person hours for the 102 form. OCR has planned a study to assess the imposition of all our informational requests on respondent educational institutions.

Question: What steps do you take to ensure that the 101/102 survey does not impose inordinate paperwork on school districts?

Answer: For each survey cycle OCR meets quarterly with the Committee on Evaluation of Information Systems of the Council of Chief State School Officers. Every attempt is made to make the survey document responsive to the concerns raised by respondent groups. It should be emphasized that every item on the survey forms is keyed to a specific provision of the implementing regulations. We also attempt to distribute advance copies of the forms many months ahead of the survey's return date.

As a result of careful evaluation of the survey forms, we have continued to reduce the number of data items requested during the past several years. For example, in the 1978 survey the number of individual data items was cut by 40 percent compared to the 1976 survey. The number of data items in the 1980 survey was cut by 19 percent compared to the 1978 survey.

Question: To what extent has OCR updated and revised the 101/102 survey form since it was devised in 1968?

Answer: A number of different influences have affected the development of the 101/102 survey. The earlier surveys primarily collected data addressed to Title VI issues and mostly as they manifested themselves in "dual" school systems. Later, "second generation" discrimination issues such as tracking, especially in special education programs for the mentally retarded, and disciplinary actions, were incorporated to reflect new compliance problems.

The survey was further expanded when Congress enacted new civil rights statutes--Title IX and Section 504. Information had to be gathered on issues concerning discrimination on the basis of sex or handicap if OCR was to carry out these enforcement responsibilities.

This expansion process reached its high point in 1976 with a survey form of 11 pages, although OCR had shifted to a biennial survey to reduce respondent burden. As a result of continued assessments of past surveys, the 1978 survey was reduced to eight pages. The 1980 101 form consists of 1 data and 1 instructional page and the 102 form consists of 2 data and 3 instructional pages.

Question: How has the Paperwork Reduction Act of 1980 affected the 101/102 Survey?

Answer: The Fall 1980 survey was approved on June 6, 1980, by the Federal Education Data Acquisition Council before the enactment of the Paperwork Reduction Act of 1980. The 1980 form represents a 19 percent reduction from the 1978 form.

SURVEY CONTRACTORS

Question: How much of the work on the completed 101/102 survey survey is done by contractors?

Answer: For each survey the contractor is responsible for the mailout, return and follow-up, data entry, editing and an analysis of the responses.

Question: What assurances do you have that work of all contractors is accurate and uniformly comparable?

Answer: The statement of work in the Request for Proposal outlines the specific tasks to be undertaken in the course of the project. The project and contracting officers have the responsibility for monitoring the execution of the enumerated requirements and any problems are identified and arrangements made for their resolution.

STATE AGENCIES

Question: What part do the State OCR agencies play in assessing 101/102 surveys?

Answer: State agencies may provide comments which may lead to changes in the design of the forms.

Question: Can and should the State agencies assume more responsibility in survey assessment?

Answer: Yes, State agencies can assume more responsibility in this area. However, a more important role for State agencies would be to review data obtained by surveys to assist in identifying and resolving discriminatory policies and practices of school systems.

LANGUAGE MINORITY REGULATION

Question: A 1978 court order issued by the Federal District Court for Alaska, Northwest Arctic School District v. Califano, is frequently mentioned as the justification for publishing the proposed Lau regulations. Did the court order require regulations to be published and specify what those regulations must be?

Answer: In 1978, the United States District Court for the District of Alaska approved a settlement agreement between the parties to the litigation known as Northwest Arctic District v. Califano. The settlement agreement provided, *inter alia*, that:

> defendants agree to publish the Lau Remedies, i.e., "The Task Force Findings Specifying Remedies Available for Eliminating Educational Practices Ruled Unlawful Under Lau v. Nichols" as proposed guidelines for notice, comment and promulgation in final form in the Federal Register as soon as practicable in accordance with the provisions of the Administrative Procedures Act.

Question: Why should all school districts receiving Federal assistance have to comply to detailed requirements similar to the proposed Lau regulations?

Answer: All school districts which receive Federal financial assistance are required to comply with Title VI of the Civil Rights Act of 1964 which prohibits, among other things, discrimination on the basis of national origin.

In Lau v. Nichols, 414 U.S. 563 (1974), the United States Supreme Court ruled that the provision of identical services to language-minority and English-speaking students does not necessarily insure equality of treatment for national origin students since "students who do not understand English are effectively foreclosed from any meaningful education." The Court held that the San Francisco Public Schools violated Title VI by failing to account for the language deficiencies of national origin minority-group students. At the same time, the Court in Lau reaffirmed the authority of the former Department of Health, Education, and Welfare to require school districts receiving Federal aid to take affirmative steps to rectify the English language deficiency of national origin minority students in order to open their instructional program to these students.

Public reaction to the August 5, 1980 Civil Rights Language Minority NPRM, which was formally withdrawn on February 3, 1981, reflects broad disagreement concerning the degree of detail which should be included in Title VI regulations. In view of public comment on the August 5, 1980, NPRM we anticipate that the next NPRM will be less prescriptive and less detailed. The final rules eventually adopted by the Education Department will, however, be applicable to all school districts which are required to comply with Title VI.

Question: What actions can and do you presently take against school districts which do not comply with "Lau Remedies"?

Answer: When the Office for Civil Rights finds that a school district has not taken the appropriate steps to overcome the English language deficiencies of national origin students, and that the school district's failure has resulted in the educational exclusion of these students, OCR attempts to negotiate a voluntary Title VI compliance plan with the school district. OCR utilizes the "Lau Remedies" as a guide for evaluating a school district's voluntary compliance plan. A school district which fails to adopt or carry out an adequate compliance plan to remedy Title VI violations regarding language minority students is subject to enforcement action as provided under the statute.

Question: On August 5, 1980, the Secretary of Education issued the proposed Lau regulations prohibiting discrimination against students with limited English proficiency in elementary and secondary education programs receiving Federal assistance. After considerable controversy, these proposed regulations were recently withdrawn. In light of the recent action on the Lau regulations, what plans does OCR have for following up on problems of students without proficiency in English?

Answer: The Office for Civil Rights will continue to conduct complaint investigations and compliance reviews to ensure that language minority students are provided an equal educational opportunity as required by Title VI. In accordance with instructions given by Secretary Bell, OCR will also develop a new Title VI NPRM regarding language minority students.

Question: Why did the Department issue the proposed Lau regulations instead of continuing to apply the "Lau Remedies" as in the past?

Answer: By issuing the August 5, 1980, Language Minority NPRM, the Department of Education hoped to improve the informal guidelines known as the "Lau Remedies." Since issuance of the "Lau Remedies" in 1975, educational officials have often sought clarification regarding the meaning and application of certain provisions of the "Lau Remedies." The August 5, 1980, NPRM addressed many of these questions.

Question: How did the proposed Lau regulations differ from the "Lau Remedies"?

Answer: The August 5, 1980, Notice of Proposed Rule Making differed in many respects from the "Lau Remedies." A comprehensive comparison of the two documents follows.

COMPARISON OF THE PROPOSED CIVIL RIGHTS LANGUAGE MINORITY REGULATION (NPRM) AND THE *LAU* REMEDIES

NPRM	*LAU* REMEDIES
I. IDENTIFICATION PROCEDURE	
1. Requires school districts to identify primary language of students.	1. Require school districts to identify primary or home language of all students.
2. Grades K-8: ask parents through questionnaire or interview.	2. No specific method required.
3. Grades 9-12: ask students or parents through questionnaire or interview.	3. No specific method required.
4. Students need not be identified if school district determines that student is not limited-English-proficient according to assessment procedure.	4. Do not permit assessment prior to identification.

Source:

45 Fed. Reg. 52066-67 (§100.35)

NPRM	LAU REMEDIES
II. ASSESSMENT OF LIMITED-ENGLISH PROFICIENCY	
1. Requires all students with primary language other than English (PLOTE) and all students whose primary language has not been identified to be assessed to determine whether student is limited-English-proficient.	Do not require assessment of limited-English proficiency.
2. Grades two or above: assess students either through test of proficiency in speaking and understanding English or through test of reading comprehension achievement.	
3. Students in grades K-1 need not be assessed for limited-English proficiency if school district assesses such students for relative language proficiency.	
Source:	
45 Fed. Reg. 52067-68 (§100.36)	Page 3

NPRM	LAU REMEDIES
III. ASSESSMENT OF RELATIVE LANGUAGE PROFICIENCY	
1. All limited-English-proficient students must be assessed for relative language proficiency.	1. All students with primary or home language other than English (PHLOTE) must be assessed for relative language frequency.*
2. Requires use of appropriate assessment procedure in English and student's primary language, if available.	2. Assessment must be made by persons who can speak and understand necessary languages.
3. If appropriate assessment procedure not available in student's primary language, use structured interview in English and student's primary language or other documented procedure.	
4. Students receiving bilingual services must be reassessed for both English proficiency and relative language proficiency within two years after first receiving services and annually thereafter.	*Assessment of relative language frequency includes determination of (1) language most often spoken in student's home; (2) language most often spoken by student in home; and (3) language spoken by student in social setting. If components of the assessment do not cross-validate, school district must use additional method.
Source: 45 Fed. Reg. 52068 and 52070 (§§100.37-100.38 and 100.42)	Pages 3-4

IV, SERVICES

NPRM	LAU REMEDIES
1. Requires bilingual instruction for all limited-English-proficient students who are primary language superior. (Option requires bilingual instruction for all students who are comparably limited in English and in the primary language, in addition to the primary language superior students.)	1. Require transitional bilingual education (TBE) program for (a) monolingual speakers of a language other than English (Category A students) at elementary and intermediate levels and (b) predominant speakers of a language other than English (Category B students) at elementary level.
2. Permits modified bilingual instruction program when 25 or fewer eligible limited-English-proficient students with same primary language within two consecutive grades in a school, and for eligible limited-English-proficient students in grades 9-12.	2. Do not require full bilingual services when fewer than 20 students with same primary or home language in district. However, school district must serve each PHLOTE student.
3. Permits Secretary to grant partial waiver of requirements in order to conduct limited pilot program or continue program already in existence during school year prior to year in which regulations become effective, either of which must be designed to fulfill purpose of regulation.	3. Require ESL instruction for underachieving Category B students at intermediate and high school level, and ESL or High Intensive Language Training for Category A students at high school level.
4. Requires instruction to develop proficiency in English for primary language superior and comparably limited-English-proficient students.	4. For underachieving PHLOTE students not in Categories A and B, require treatment corresponding to regular program requirements for all racially/ethnically identifiable classes or tracks composed of students who are underachieving, regardless of their language background.

NPRM	LAU REMEDIES
5. Requires school districts to operate educational programs and activities with respect for cultural heritage of the recipient's limited-English-proficient students.	5. Require school district to develop strong incentives and encouragement for minority students to enroll in electives where minorities have not traditionally enrolled.
6. Prohibits exclusion of students from effective participation in the school district's programs on basis of race or national origin.	6. Required courses must not be designed to exclude pertinent minority developments which have contributed to or influenced such subjects.
7. Requires that English-superior students have equal access to compensatory education.	
Source: 45 Fed. Reg. 52068-70, 52072-75 (§§100.39-100.40, 100.45, 100.50(b) and (c))	Pages 4-14

NPRM	LAU REMEDIES
V. EXIT CRITERIA	
i. From Bilingual Program A. Student no longer limited-English-proficient. B. Student has received bilingual services for two years and (1) student no longer entitled to bilingual instruction by virtue of relative language proficiency; (2) scores at or above 30th percentile on test used to assess limited-English proficiency.	1. From TBE, school district provide predictive data which show that students are ready to make transition into English and will educationally succeed in content areas and the educational program in which he or she is to be placed.
2. From English Language Instruction: A. Student no longer limited-English-proficient. B. Student has received services for two years and 1) is English-superior or 2) scores at or above the 30th percentile. C. Student has received English language services for five years.	2. No exit criteria provision for ESL.
Source: 45 Fed. Reg. 52070 (§100.41)	Page 10

NPRM	LAU REMEDIES
VI. SPECIAL EDUCATION	
1. Procedures to identify, evaluate, and place students who may be eligible for special education services must take into account language characteristics of limited-English-proficient students so that language background does not affect outcome and must meet the requirements of 34 C.F.R. 104, Subpart D, pertaining to nondiscrimination on the basis of handicap.	No provisions
2. Recipient must provide bilingual services, or appropriate equivalent instruction, to handicapped students otherwise eligible for such services.	
Source: 45 Fed. Reg. 52073 (§100.49)	

VII. STAFF REQUIREMENTS

NPRM	LAU REMEDIES
1. School district must make every reasonable effort to identify, recruit, and employ a sufficient number of qualified bilingual education teachers to assure proper pupil/teacher ratio (within two pupils of district's pupil/teacher ratio).	1. School districts must develop a plan for securing number of qualified teachers necessary to fully implement instructional program. Pupil/teacher ratio for special language programs must be within five pupils of district's pupil/teacher ratio.
2. If qualified teachers unavailable, district must:	2. If qualified teachers unavailable, district must:
a. make every reasonable effort to assist and encourage present staff to become qualified within five years of start of training if he or she is already a teacher, or within six years if he or she was not a teacher when training began, and	a. develop a plan to implement in-service training program as temporary alternative; or
b. develop detailed written plan describing the steps it will take to obtain qualified bilingual education teachers and to provide required services on an emergency basis.	b. develop plan to utilize paraprofessional persons with necessary language and cultural background as temporary alternative.
3. Qualified bilingual education teacher means qualified under State law to teach subject and grade to which assigned, meet local or State standards for bilingual and ESL instruction, and fluency in both English and primary language for purposes of providing bilingual instruction and communicating effectively with parents.	3. Instructional personnel must be linguistically/culturally familiar with the background of the students to be affected.
Source: 45 Fed. Reg. 52065,52071-72 (§§100.33 and 100.44)	Page 15-17

NPRM	LAU REMEDIES
VIII. PARENTAL NOTIFICATION	
1. Recipients must accurately, fully, and fairly inform parents or guardians in language they fully understand of:	1. School districts must notify parents of PHLOTE students in English and in the necessary language of all school activities or notices which are called to the attention of other parents.
a. placement decisions within five days after such decision is made;	2. School districts must inform all parents of all aspects of programs designed for students of limited-English-speaking ability.
b. purpose and nature of services to which their child is entitled;	
c. reasons for child's placement;	
d. parent's right to refuse placement in, or withdraw student from, any program to which student is entitled; and	
e. educational consequences that could result from failure to receive assistance.	
Source:	
45 Fed. Reg. 52072-73 (§§100.46 and 100.47)	Page 19

NPRM

IX. RECORDKEEPING

Recipient must maintain adequate records that include the following:

a. number, grade level, and relative language proficiency of limited-English-proficient students in each school;

b. summary description of programs offered limited-English-proficient students;

c. number of qualified bilingual education teachers and bilingual personnel by language in each school who are teaching limited-English-proficient students and number necessary to staff bilingual programs;

d. sample of information sent to parents in a language other than English;

e. sample test results and necessary documentation of validity and proper administration of instruments or procedures used to determine eligibility for services.

Source:

45 Fed. Reg. 52076 (§100.52)

LAU REMEDIES

1. School district must submit evaluation, which states:
   a. product (end result) of plan;
   b. process evaluation (periodic evaluation through implementation stage);
   c. description of evaluation design; and
   d. time lines (target for completion of steps).
2. For first three years after implementation of plan, school district must also submit progress reports:
   a. at close of 60 days after school starts;
   b. at close of 30 days after last day of school year.

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NPRM	LAU REMEDIES
X. MISCELLANEOUS	
A. Racial or Ethnic Isolation	
Prohibits school district from:	
1. assigning limited-English-proficient students to separate classes in art, music, physical education, or extra-curricular activities,	1. Prohibit creation of racially/ethnically identifiable schools.
2. giving limited-English-proficient students separate locations or times for meals and recess, and	2. Prohibit existence of racially/ethnically isolated or identifiable classes that do not have an educational justification.
3. assigning PLOTE students to racially or ethnically identifiable classes for more than one-half of school day unless school district can demonstrate that no other less segregated and effective method of instruction is available.	
B. Parental Right to Withdraw Students From Program	
Allows parents to refuse placement in, or to withdraw student from, any program to which student is entitled under these regulations.	No provisions

NPRM	LAU REMEDIES
C. Waivers	
1. Recipients may request waiver of requirements from the Secretary for limited period because of substantial, rapid, unforeseen increase in enrollment of limited-English-proficient students.	No provision, except that school districts with substantial number of recent PHLOTE Indochinese immigrants in 1975-76 school year were not required to immediately comply with Remedies.
2. Recipients may request partial waiver of requirements from the Secretary in order to conduct limited pilot program using other approaches designed to fulfill purpose of regulations.	
3. Recipients operating a program during school year prior to year in which these regulations become effective may request waiver of personnel and services requirements from the Secretary in order to operate alternative program designed to fulfill purpose of regulations.	
D. Applicability of Requirements to Recipients Using Other Languages for Instruction	
The regulations apply to recipients whose primary language of instruction is not English.	No provisions
Source:	
45 Fed. Reg. 52071-76 (§§100.43, 100.46, 100.50 and 100.53)	Page 18 and Table of Contents page

ACCESS TO HIGHER EDUCATION

Question: What is the breakdown, as percentages of the total, of women and minorities in higher education administration?

Answer: Based on data from the Survey of Employees in Institutions of Higher Education, 1976-77, approximately 26 percent of the executive, administrative and managerial positions in institutions of higher education are occupied by women. No corresponding data are available at this time for minorities.

Question: What is the breakdown, as percentages of the total, of women and minorities for college.

--enrollment?

Answer: Based on data from the 1978 HEGIS Fall Enrollment Survey, women comprise slightly more than 50 percent of the total undergraduate enrollment, 46 percent of the total graduate enrollment and 25 percent of the total professional school enrollment. Minorities, meanwhile, account for 17 percent of the total undergraduate enrollment, 10 percent of the total graduate enrollment and 9 percent of the total professional school enrollment.

--medical curricula?

Based on data from the same survey, women constitute 23 percent of the total enrollment in medicine while minorities comprise 11 percent of the enrollment in that curriculum.

--engineering curricula?

Women and minorities account for 11 percent of the enrollment.

--law curricula?

That same survey indicates that women comprise 30 percent of the total enrollment in law curricula while minorities constitute 9 percent of the enrollment in law.

--social service curricula?

Institutions were not surveyed concerning enrollment by women or minorities in these curricula.

--vocational education curricula?

Again, institutions were not surveyed concerning enrollment by women or minorities in these curricula.

Question: Are you satisfied with the admissions treatment of women, the aged, and minorities in federally-assisted colleges and universities?

Answer: Our survey data cannot speak directly to the issue of discrimination on the basis of age during the admissions process. As far as the admissions treatment of women and minorities is concerned, our survey data appears to show that progress is being made in increasing the enrollments of women and minorities at all levels, especially at the undergraduate level where women now actually outnumber men and where minorities comprise more than 17 percent of the total enrollment. Those percentages fall off significantly, however, at the graduate and professional school levels. A growing concern is in the area of program retention and attrition. While minorities comprise 17 percent of the total undergraduate enrollment, they have earned only 10 percent of the bachelors degrees awarded.

SCHOOL DESEGREGATION

Question: In December 1980, the Department of Justice filed desegregation suits against three local school districts (Lima, Ohio; Marshall, Texas; and Yonkers, New York) and informed a fourth district (Charleston, South Carolina), that suit would be filed unless a systemwide desegregation plan was agreed to within 20 days. What are the status of these desegregation suits, and what was OCR's role in bringing these cases to the attention of the Department of Justice?

Answer: Responsibility for these cases is with the Department of Justice and any official status report should come from that Department.

Based on conversations with attorneys in DOJ, the case in Lima, Ohio, was filed on 12/2/80. No hearing or trial has been held, or trial date set.

The case against Marshall Independent School District, Texas, was filed in December 1980. There has been a motion to dismiss filed by the school district, oral argument held and briefs submitted. No decision has yet been rendered on the motion to dismiss.

The case against Yonkers, New York, was filed on December 1, 1980. There are several motions pending by the school district, but no trial date has been set.

The case in Charleston, South Carolina was filed on January 8, 1981.

Lima, Ohio -- Referred to DOJ in February 1980, because of limitations on OCR's authority to require transportation of students contained in Eagleton-Biden Amendment.

Marshall, Texas -- Case referred to DOJ in December 1978, because of limitations of Eagleton-Biden Amendment. Case referred after ALJ and Reviewing Authority had concluded that school district was in violation of Title VI. Before funds could be terminated, Eagleton-Biden Amendment passed.

DOJ at first declined to file suit because school district promised to desegregate by beginning of the 1979-80 school year. When the school district declined to follow through on promise, DOJ filed suit.

Yonkers, New York -- This case was referred to DOJ in November 1980. This case was investigated jointly by OCR and DOJ because it was anticipated that if intentional segregation was found in the school district, transportation of students would be required, which OCR lacks authority to do under the Eagleton-Biden Amendment. In addition, the investigation revealed widespread evidence of intentional segregation in city housing programs over which OCR lacks authority.

Charleston, South Carolina -- OCR had nothing to do with this case. DOJ has filed suit under Title IV of the Civil Rights Act of 1964, rather than Title VI, which means DOJ received a complaint of a pattern and practice of discrimination.

Question: Was segregation in each district uncovered by complaint investigations and/or compliance reviews?

Answer: The findings in Lima, Marshall, and Yonkers all resulted from the investigation of a complaint filed with OCR.

Question: What is OCR's role in devising and/or implementing desegregation plans in these school districts?

Answer: OCR has no official role in devising or implementing desegregation plans in these school districts.

In the past, DOJ has requested assistance from OCR in reviewing desegregation plans. If the school districts in Lima, Marshall, Yonkers or Charleston submit plans to DOJ, it would not be unusual if DOJ requests OCR's views.

Question: How many segregation complaints are currently pending in OCR?

Answer: There are very few complaints filed under Title VI of the Civil Rights Act of 1964 in the area of segregated facilities that are currently open.

Question: Does OCR continue to participate with the Department of Justice on a case after it is forwarded to the Department of Justice?

Answer: There have been a few cases in the past where DOJ has requested limited OCR support. However, in most instances DOJ handles its own cases without support from OCR. DOJ does keep OCR informed of the progress of all cases.

ATHLETIC GUIDELINES

Question: After two years, OCR has recently resumed investigations of Title IX compliance, based on revised requirements. Title IX of the Education Amendments of 1972 prohibits discrimination on the basis of sex in most federally assisted education programs and activities. How many Title IX complaints are currently pending?

Answer: There are 147 open complaints involving 101 institutions of higher education.

Question: Do the new Title IX athletic compliance requirements include provisions relating to employment discrimination even though the question of Title IX's authority to do so is pending before the U.S. Supreme Court?

Answer: On December 11, 1979, the office issued a final policy interpretation clarifying the application of the athletic provisions of the Title IX implementing regulation. The policy interpretation has no relation to the issue under consideration before the Supreme Court, which concerns coverage of employment under the statute.

HANDICAPPED DISCRIMINATION

Question: Regulations for Section 504 of the Rehabilitation Act of 1973 require that all federally assisted programs and activities be accessible to the handicapped. To what degree must programs be "barrier free"?

Answer: Facilities constructed on or after June 3, 1977, must be designed and constructed so that they are readily accessible to handicapped persons. Programs conducted in facilities existing prior to June 3, 1977, may be made accessible through various means, including, for example, reassignment of classes to accessible buildings. It is only when there is no other way to provide accessibility to programs that a recipient is required to carry out structural alterations to facilities.

Question: What percentage of total assignable space on college campuses is currently accessible to the handicapped, and how does it compare to two years ago?

Answer: In 1978, 40 percent of total assignable square feet on college campuses was accessible according to a survey by the National Center for Education Statistics. While there has been no subsequent study, colleges and universities have continued to increase the accessibility of their campuses.

Question: What has been the total cost to the Federal government in bringing federally assisted schools into compliance with the accessibility regulations?

Answer: The office plans to allocate approximately $18.6 million in fiscal year 1982 for Section 504 compliance activities. This amount is approximately 37 percent of the OCR fiscal year 1982 budget request. The level of attention devoted to Section 504 issues has been approximately the same since fiscal year 1978. Of the total proposed allocation almost 70 percent will be utilized for investigative activities such as investigating discrimination complaints and conducting compliance reviews. The remaining 30 percent will be used for Section 504 technical assistance activities.

Question: Have any Federal funds been cut off or any remedial action taken because of failure to comply with Section 504?

Answer: There have been no fund termination actions under Section 504. It should be noted that in those cases where an investigation results in a finding of discrimination only a small number result in an enforcement action. Most cases are settled by the institution in question taking voluntary action to resolve the violation.

Question: What problems have you had with your regulations for mainstreaming handicapped students into normal curricula?

Answer: The regulations implementing Section 504 require that handicapped students be integrated with nonhandicapped students unless it can be demonstrated that the nature of the handicap will not allow such integration. Some handicapped children may be capable of receiving formal classroom experiences with nonhandicapped children. This is commonly referred to as mainstreaming. The extent to which a handicapping condition prevents a child from receiving formal educational instruction with nonhandicapped peers is evaluated by placement teams in individual schools. In its experience, OCR has concluded that most mainstreaming decisions are made in accordance with procedures contained in the regulations implementing Section 504 and the Education of the Handicapped Act (P.L. 94-142).

A related issue, which is termed "integration," rather than "mainstreaming," has generated many complaints, and is currently receiving serious attention. Many handicapped children cannot benefit from a formal classroom experience with nonhandicapped peers and therefore should not be mainstreamed. These children require a program which consists almost entirely of special education and related services. Many school districts consign these children to centers which exclusively educate handicapped children. It is less certain why some disabilities require that these handicapped children receive their special education in totally segregated settings. OCR has found that many school districts make these assignments based on category of handicap, rather than whether a disability would prevent a child from receiving special education in a regular school.

On December 24, 1980, OCR published a notice of intent to develop policy on the issue of integration. We requested that comments identify disability related reasons that require handicapped children to be educated in totally separate facilities.

Question: What comments do you have on the use of "isolation boxes" in classrooms with hyperactive children?

Answer: Generally, the regulation implementing Section 504 requires the concurrence of parents in decisions made concerning the educational program which is to be provided their child. Therefore, before a school district could utilize any behavior modification technique, it would have to be made a formal part of the handicapped child's individualized education program (IEP), with the concurrence of the parent. If it has not been made a part of the IEP agreed to by the parent, use of the technique is a violation of Section 504.

OCR generally does not evaluate individual program decisions to determine whether they are appropriate for the handicapped child being served. However, because behavior modification techniques lend themselves to punitive rather than programmatic uses, OCR examines complaints in this area very closely. In those cases, recipients have a burden to demonstrate that the technique being utilized is generally accepted as sound practice in the profession, that it is appropriate for the individual student being served, and that it is a part of a program designed to obtain specific behavior changes which are being documented by records. OCR has no information on which to conclude that an "isolation box" is generally accepted by professionals as a sound and proven technique for behavioral modification. We would evaluate its use in an individual case very carefully.

COMPLAINT INVESTIGATIONS

Question: In fiscal year 1980, how many instances of noncompliance with civil rights laws and regulations were uncovered as a result of investigating these complaints?

Answer: There were 438 investigated complaints resulting in a finding of noncompliance.

Question: What was the distribution of these complaints among the handicapped, minorities, women, and the aged?

Answer: Distribution of the complaints by basis is as follows:

Race	58
National Origin	28
Sex	65
Handicap	257
Multiple Bases	27
Basis Unknown	1
Age	2

Question: What was the distribution of complaints between discrimination in employment and discrimination in service delivery?

Answer: Distribution of the complaints by these major issue categories is as follows:

Employment	56
Service Delivery	332
Combined	49
Unknown	1

In way of clarification, the numbers furnished above concern only cases where a violation was determined. However, there are numerous instances where the complainant receives benefits after a complaint is filed resulting from voluntary action taken by the recipient institution. Such action may occur before an investigation takes place or even after an investigation is conducted and determines no violation. These are referred to as "change" cases and there were 869 such cases in the last fiscal year.

Question: Were any Federal grants or contracts terminated in fiscal year 1980 as a result of discrimination complaints investigated by the OCR?

Answer: There were no Federal grants or contracts terminated in fiscal 1980 as a result of discrimination complaints investigated by OCR. However, OCR had 14 active administrative enforcement proceedings pending during fiscal year 1980. Of those, 3 were initiated in fiscal year 1980 (all 3 after May 4, 1980). Of the 3, one was settled by the school district taking appropriate remedial action. The remaining 11 enforcement proceedings were pending at some stage of the proceeding when the Department of Education was created. Of those 11, two have been settled.

Question: What recommendations for either new regulations or laws did OCR make to the Department last year as a result of complaint investigations and were any of the recommendations implemented.

Answer: The Notice of Proposed Rulemaking for language minority students, issued on August 5, 1980, was based, in part, on complaint investigations conducted on this issue. The proposal was withdrawn on February 3, 1981. Also, on February 23, 1981, the office submitted a decision memorandum to the Secretary on the issue of enforcing the Title IX regulation with respect to school districts' appearance codes. The options presented to the Secretary were based on experience with some of the complaints received on this issue.

Two final policy interpretations recently published also reflected experience gained under complaint investigations. The first, published on December 30, 1980, concerned whether an education agency can require parents to use private insurance proceeds to pay for services required under Section 504. The second, published on January 19, 1981, concerned the meaning of the "related services" provision under Section 504 with regard to "clear intermittent catheterization."

COMPLAINT WORKLOAD

Question: In December 1979, the Director of OCR in HEW stated that since the complaint workload was within manageable proportions, OCR should have no difficulty maintaining its scheduled compliance review activities. Would such a statement continue to be true for ED's OCR?

Answer: The statement was based on the situation existing as of September 30, 1979. From October 1979 - November 1980, OCR's pending education complaint workload increased each successive month. While this trend has now been reversed, we still have a significant pending complaint workload.

Our 1981 Annual Operating Plan projects that 296 (71 percent) of an available 415 investigator years would be spent on investigating complaints, leaving 48 (12 percent) for mandated pregrant and monitoring reviews and 71 (17 percent) for discretionary compliance reviews.

As can be seen, much of OCR's fiscal year 1981 investigative resources are being allocated to reducing the pending complaint workload. At the same time, we are conducting as many compliance reviews as staff resources permit. It is anticipated that with a lower complaint workload pending at the end of fiscal year 1981, a more significiant compliance review program can be conducted in fiscal year 1982.

COMPLIANCE REVIEWS

Question: In fiscal year 1981, OCR has proposed to divide investigation time as follows: 60 percent of the total investigator time is to be devoted to complaint investigations, and 40 percent is to be devoted to compliance reviews. Why have you selected this particular balance?

Answer: Our Annual Operating Plan for fiscal year 1981 provides the following allocation of investigator staff time: 71 percent for complaint investigations; 12 percent for mandated pregrant and monitoring reviews; and 17 percent for discretionary compliance reviews. This allocation is dictated, concerning complaint investigations, pregrant and monitoring reviews, by laws, regulations and a Federal court order.

Question: Would it be more effective for OCR to devote more time to compliance reviews, which look at broader policies and affect more program participants, than complaint investigations?

Answer: Yes, especially because of their discretionary nature. Compliance reviews represent the only compliance activity which OCR can target. Using survey data and information from other sources, we can review those recipients which appear to have a high probability of noncompliance. For example, in fiscal year 1980 and the first quarter of fiscal year 1981, OCR issued 1,358 letters of findings resulting from complaint investigations. Of these, 34 percent (463) found violations. During the same period, OCR issued 186 letters of findings resulting from compliance reviews. Of these, 80 percent (148) found violations.

Compliance reviews also affect about six times as many individuals as complaint investigations. They also assure that vulnerable groups, such as the very poor or non-English speaking individuals, who tend not to file complaints, have their civil rights protected.

Question: How does OCR choose where to perform compliance reviews?

Answer: OCR chooses its compliance review sites on the basis of a variety of information including data generated by surveys; findings from complaint investigations; and information obtained from various sources such as the media, civil rights organizations and the general public. The actual selection of review sites is a collaborative headquarters-regional office effort. The objective is to select recipients for review where information indicates serious potential violations.

Question: What is considered sufficient reason to trigger a compliance review?

Answer: In selecting institutions for review, the office first determines the compliance issues that appear to be the most critical and national in scope. Then recipients are selected for review to the extent their services or programs appear to reflect these problems. In general, recipients displaying the highest degree of potential compliance problems are selected for review.

Question: In fiscal year 1980 how many instances of noncompliance with civil rights laws and regulations were uncovered as a result of compliance reviews?

Answer: A finding of noncompliance was made in 121 compliance reviews.

Question: What percentage of these noncompliance findings resulted from access to program services and what percentage resulted from employment inequities?

Answer: Of the total number of reviews where a finding of noncompliance was made, 81 percent involved services, 3 percent involved employment, and 16 percent involved both services and employment.

Question: When noncompliance is discovered, what steps does OCR take to deal with this situation?

Answer: If a compliance review discloses a violation, we first seek voluntary compliance through negotiation as required under the statutes. Negotiation sessions afford a recipient a full opportunity to rebut information on which compliance findings are based and offer new or additional evidentiary matter. They also provide a forum for discussing acceptable remedies. The office may offer technical assistance in the formulation of a remedial plan and also may refer the recipient to other available assistance. However, if a recipient refuses to voluntarily comply by adopting corrective measures, the office is obligated to take enforcement action -- either institution of administrative proceedings or referral to the Department of Justice for appropriate legal action.

Question: How does the Office for Civil Rights collect data on the race, ethnic background, age and sex of beneficiaries for programs funded by the Department?

Answer: The Office for Civil Rights collects data through periodic surveys and informational requests made during the course of a complaint or compliance review. Most of the surveys are conducted on a biennial basis.

Question: Does OCR collect equal employment opportunity statistics on grantee work forces?

Answer: The majority of data on grantee work forces is collected by the Equal Employment Opportunity Commission (EEOC) and is shared with this office. However, if EEOC does not collect work force data at the institutions surveyed or at the level of specificity required, then OCR is permitted to collect the data. Faculty and staff data were collected from special purpose facilities, vocational education facilities and higher education institutions subject to the *Adams* order.

BLIND WORKERS

Question: A Department of Labor administrative review was concluded in May 1980 with the finding that the Department of Labor lacks sufficient authority to establish a minimum wage requirement on behalf of blind workers. A Fair Labor Standards Act exemption, which applies to blind workers, allows pay rates to be as low as 25 percent of the Federal minimum wage. To what extent has OCR received inquiries on this issue during the last year?

Answer: Currently, our information management system cannot provide an immediate response regarding this compliance issue. However, this type of information will soon be computerized.

CONSOLIDATED GRANT PROPOSALS

Question: The Reagan Administration has proposed the consolidation of numerous categorical education grants into one or a few block grants. What impact would block grants have on administrative costs of OCR?

Answer: We would have to carefully assess the specifications of any proposed legislation before we could determine the effects on current administrative and other expenditures.

Question: In instances of programs receiving matching State and Federal funds, do both OCR and the State agency share compliance review activities? If not, how is the responsibility for reviewing compliance or investigating complaints determined?

Answer: Currently, OCR continues to conduct compliance reviews where there is program matching funds.

Question: Presently, if a program receives five different categorical grants, are five different compliance evaluations made -- that is, one for each grant?

Answer: Only one evaluation is made even if the program in question receives several categorical grants.

Question: How would the compliance evaluation differ if the five grants were combined into one comprehensive grant?

Answer: In the absence of major changes in the Federal role in civil rights enforcement, the offices's compliance evaluation would likely not be significantly different under a comprehensive grant approach.

COMPLAINTS

Question: What is the turnover time from the time a complaint is received to the time it is investigated?

Answer: The dates needed to answer this question are the receipt and investigation start dates. Although these dates are on our case control forms they are not computerized. Therefore, we would have to examine individual forms.

Question: Are all complaints investigated?

Answer: No. In calendar year 1980, 50.3 percent of all complaint closures were investigated. The remainder were closed because of lack of jurisdiction, withdrawal by complainants or successful resolution obtained subsequent to filing complaints.

STATE AGENCIES

Question: Do all the States presently have civil rights agencies?

Answer: There are civil rights compliance agencies in 39 states.

Question: Is there duplication of activities between State agencies and OCR and how is duplication avoided?

Answer: There are about 10 State agencies which operate compliance programs similar in jurisdiction and approach to the OCR compliance program. Many of these agencies have expressed willingness to cooperate in pursuing common objectives. Our regional offices also try to keep these agencies informed concerning the office's compliance activities.

Question: The 1982 request of $50.9 million for the Office for Civil Rights includes 1,100 positions for the conduct of education-related civil rights compliance and monitoring functions in the Department of Education. The Office for Civil Rights monitors all 50 State education agencies, as well as local education agencies, institutions of higher education and other federally funded facilities. To what extent might the compliance and/or monitoring activities be shifted to State agencies?

Answer: We have been working to expand State agency responsibilities for ensuring that their subrecipients are complying with the civil rights laws. As an example, we have developed a Memorandum of Understanding with the Office of Vocational and Adult Education. The Memorandum provides a specific mechanism for State education agency involvement in assisting recipients in the states to comply with the requirements of Title VI, Title IX, and Section 504 in vocational education programs. OCR is also developing a program for training State education agency officials in the conduct of civil rights reviews in vocational education.

OPPORTUNITY FOR WOMEN

Question: How has OCR affected the advancement of educational opportunities for women?

Answer: As a result of enforcing Title IX of the Education Amendments of 1972 many educational institutions have adopted nondiscriminatory admission, placement and employment practices. We have also seen the elimination of sex-related bias and artificial barriers in many program activities of institutions. In the past, these barriers have prevented men and women from freely choosing their educational, athletic, and professional opportunities and careers.

TECHNICAL ASSISTANCE

Question: How many publications were disseminated by OCR during fiscal year 1980, and at what expense to the Department?

Answer: Last year, approximately 192,000 documents were disseminated at a total cost of $126,376. Approximately 140,000 of these documents were distributed by HEW/OCR at a cost of approximately $100,000. Fifty-two thousand documents were disseminated after the establishment of the Department of Education.

Question: What materials for distribution is OCR concentrating on in fiscal year 1982?

Answer: These materials will be the 94-142 Handbook, a handbook on the interrelationships of Section 504 and P.L. 94-142; an updated Accessibility Assistance Handbook, a directory of local sources of technical assistance in the removal of architectural barriers; and a revised Section 504 Implementation Handbook, an annotated handbook on the requirements of Section 504 as they have been interpreted by OCR and the courts.

OCR will also focus attention on materials for state and local civil rights agencies.

Question: What is the extent of corrective changes that have taken place as a result of OCR issuing handbooks and other materials containing information about how to comply with civil rights laws?

Answer: OCR has not measured the extent to which corrective changes have resulted from the development and issuance of technical assistance materials. The demand for materials is high, however, and is presumed to reflect technical assistance needs experienced by recipients. In fact, two national associations of public officials, the U.S. Conference of Mayors, and the National Association of Counties, have reproduced OCR publications at their own expense for distribution to their memberships.

Question: In training fund recipients how to comply with civil rights regulations, wouldn't it be more cost-effective to produce a greater number of training videos than to send employees and contractors out into the field?

Answer: OCR does use some video tapes and films in providing training for recipients. However, evaluation reports indicate that recipients believe that they are better assisted by direct, "hands-on", technical assistance from someone who understands their problems - ideally, another recipient who has resolved similar problems.

OCR is currently looking at less expensive methods for providing technical assistance. One method under consideration is the initiation of a technical assistance exchange. OCR has identified and/or trained a large number of state, local, recipient and interest group personnel to develop their expertise in resolving various Section 504 compliance problems. While these agencies are usually willing to "loan" resource persons to assist others, through a site visit, they often find it very difficult to make travel and per diem funds available for this purpose. Through the technical assistance exchange, requests for help would be obtained directly and through referral from OCR's regional offices. We would use our knowledge and national perspective to help those with problems get in touch with others who have successfully dealt with similar problems. As necessary, OCR might also pay travel and per diem where on-site technical assistance visits by these individuals were necessary.

SUBCOMMITTEE RECESS

Senator INOUYE. We will stand in recess until 2 p.m. Monday, when we will receive testimony on elementary and secondary education programs.

[Whereupon, at 11:58 a.m., Friday, February 27, the subcommittee was recessed, to reconvene at 2 p.m., March 2.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

MONDAY, MARCH 2, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:05 p.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Harrison Schmitt (chairman) presiding.

Present: Senator Schmitt.

DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

STATEMENT OF JOHN RODRIGUEZ, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:
- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET
- WILBERT A. CHEATHAM, DEPUTY ASSISTANT SECRETARY FOR COMPENSATORY EDUCATION
- VIDAL RIVERA, DEPUTY DIRECTOR OF MIGRANT EDUCATION
- ALPHEUS WHITE, ACTING DEPUTY ASSISTANT SECRETARY FOR EDUCATIONAL SUPPORT
- ALLEN KING, DIRECTOR, DIVISION OF STATE EDUCATIONAL ASSISTANCE PROGRAMS
- BRUCE GAARDER, ACTING ASSISTANT DIRECTOR, TEACHER CENTERS
- KENNETH HOYT, DIRECTOR, CAREER EDUCATION

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The subcommittee will come to order. Welcome, all of you.

Let me say at the outset, it is my personal opinion that, elementary and secondary education in this country are the backbone of our long-term survival. It is certainly the backbone of the long-term survival of our political institutions. The interest that the new administration is showing in this area is welcomed.

We don't know yet exactly what direction some of that interest may take, and so, this hearing today is particularly important to us. We are particularly anxious to hear what you have to say in relation to the proposal to consolidate many of the elementary and secondary education programs that currently are administered under what is sometimes called "categorical grant activities."

PREPARED STATEMENT

Here to testify today for the Department is John Rodriquez, Acting Assistant Secretary for Elementary and Secondary Education. We welcome you and your colleagues. Would you introduce them for the record? It is my understanding that you have an overview for us of the Department.

[The statement follows:]

STATEMENT OF JOHN RODRIGUEZ

Thank you for this opportunity to present the pending fiscal year 1982 budget request for two major segments of the Department of Education's elementary and secondary education programs--Compensatory Programs for Disadvantaged Students and Special Programs and Populations. Most of the activities in these accounts were presented in fiscal year 1981 under the heading Elementary and Secondary Education. I am here today not so much to defend this request as to explain it and put it into perspective.

Compensatory Programs for Disadvantaged Students

Since 1965 and the enactment of the Elementary and Secondary Education Act, it has been national policy to devote Federal resources to the education of disadvantaged children. The prevailing theory has been that it is in the national interest to help economically disadvantaged youngsters acquire basic academic skills and thereby facilitate their access to future employment and productive citizenship. The current budget request for Compensatory Programs for Disadvantaged Students represents a continuation of this policy, with a total of $3,873,225,000, which is $306,650,000 (or 8.6 percent) more than fiscal year 1981 funding for the same programs.

Grants for Disadvantaged

The fiscal year 1982 request includes $3,830,272,000, for Grants for Disadvantaged, authorized by Title I of the Elementary and Secondary Education Act. This represents an increase of $315,500,000 or 8.2 percent above the 1981 figure.

The bulk of these funds, $3,074,498,000, will go to Basic Grants to Local Educational Agencies. The intent of the fiscal year 1982 request is to allow local school districts to maintain the same level and quality of services as in the prior year. A secondary goal is to increase the numbers of children receiving services. It is estimated that the increase requested for this purpose, $249,618,000 (or 8.2 percent), will protect local school systems against the impact of rising educational costs and serve roughly 62,000 additional students.

The pending request also contains $200,000,000 for Concentration Grants, $55,000,000 more than in fiscal year 1981. These funds will go to counties and school districts with especially high concentrations of children from low-income families. They will permit these districts to expand compensatory education programs to accommodate roughly 75,000 additional children. In total, Title I programs will serve approximately 5.6 million children in school year 1982-83.

Title I also authorizes awards to States to provide compensatory education services to the children of migrant workers, handicapped children in State institutions, and neglected and delinquent children in institutions. For fiscal year 1982, the pending request asks for a total of $490,750,000, the same as the Department's estimate of full funding for these programs in 1981. The goal of the 1982 request is to put these programs on a more equitable basis with Title I awards to local school districts. Historically, the State agency grants have grown faster and served a far higher percentage of the eligible children than the local educational agency grants. Holding the State awards level in 1982 will restore some balance.

Finally, the Title I request includes appropriate set asides for State Administration and Evaluation.

Follow Through

For Follow Through, $35,400,000 is requested, $8,850,000 below the 1981 level. This request is based on the assumption that revised regulations will establish open competition for service site awards, which will decrease in number from 137 in 1981 to 110 in 1982.

Migrant Education

For the two programs subsumed under Migrant Education, the High School Equivalency Program (HEP) and the College Assistance Migrant Program (CAMP), the 1982 request is the same as in 1981, $7,553,000. This includes $6,345,000 for HEP and $1,208,000 for CAMP. The expectation is that the projects currently funded will be able to continue about the same level of services with these funds.

Special Programs and Populations

The Elementary and Secondary Education Act had from the start an emphasis on improving the quality of school programs and services. The programs now organized under the heading Special Programs and Populations continue this emphasis.

Within the Department's entire elementary and secondary education effort, several of the programs included here have assumed a lower priority than in prior years. Proposed along with the fiscal year 1982 request in these cases are rescissions of funds made available in fiscal year 1981.

Improving Local Educational Practice

The fiscal year 1982 request for Improving Local Educational Practice is $50,000,000. At the same time, a rescission has been proposed to reduce the 1981 funding to the same level. In both years, the intention is to encourage States to shift from developing new innovative projects, which tend to be expensive, to disseminating and implementing some of the programs already developed.

Strengthening State Educational Agency Management

For Strengthening State Educational Agency Management, the fiscal year 1982 budget request is $46,000,000. Again, a rescission has been proposed to reduce the 1981 funding to the same figure. These funds allow State educational agencies to undertake specific projects to improve their management of educational programs, including those funded from Federal sources.

Career Education Incentive

The Career Education program seeks to assist State and local educational agencies to integrate career awareness and education into their existing educational programs and curricula. For fiscal year 1982, the amount requested is $10,000,000. Also proposed is a rescission to bring the level of 1981 funding to this figure.

Teacher Centers

The pending fiscal year 1982 budget request contains $14,800,000 for Teacher Centers, $1,300,000 (or ten percent) above the 1981 amount. These funds support over a hundred centers where public and nonpublic elementary and secondary teachers can develop training and curricula material suited to their own needs and the needs of their students.

The Department's fiscal year 1982 request does not include funding for General Assistance to the Virgin Islands or Ellender Fellowships. The President's Budget also proposes to rescind the 1981 funding for the Virgin Islands program and $750,000 of the funds available for Ellender Fellowships.

Elementary and Secondary Education

I am happy to appear this morning before your Committee to discuss the budget request for Elementary and Secondary Education appropriations. Since 1966 the programs which comprise this account have been the focus of Federal effort to provide assistance to educationally and economically disadvantaged students. The fiscal year 1982 request of $4,802,384,000 represents a two percent increase over fiscal year 1981 appropriations and a determined effort to maintain services for the neediest segments of our school population.

Compensatory Programs for Disadvantaged Students

To support Grants for Disadvantaged, a total of $3,830,272,000 is requested for 1982. This represents a $315,500,000 increase above the 1981 level. Our first priority of the 1982 request is to maintain current services at the level of school year 1981-82 by offsetting rising costs. The fiscal year 1982 request will also allow local school districts to expand the number of disadvantaged children served. It is estimated that in all 5.6 million children will receive Title I services, about 137,000 more than in fiscal year 1981.

For Follow Through, $35,400,000 is requested for fiscal year 1982, a decrease of $8,850,000 below the 1981 level. The fiscal year 1982 funding level will decrease the number of service projects from 137 to 110.

A total of $7,553,000 is requested for Migrant Education Programs; $6,345,000 for the High School Equivalency Program and $1,208,000 for the College Assistance Migrant Program. This request is the same as in 1981.

Special Programs and Populations

For Special Programs and Populations, a total of $120,300,000 is requested, an increase of $1,050,000 above the 1981 level. Special Programs and Populations are comprised of four separate programs -- Improving Local Educational Practice, Strengthening State Educational Agency Management, Career Education and Teacher Centers. These programs have the general goal of improving the quality of education at the elementary and secondary level by funding activities to improve educational practices and the management of educational resources at the State and local levels.

Equal Educational Opportunities

For Equal Educational Opportunity programs, a total of $306,043,000 is requested. The Equal Educational Opportunities account includes two programs--Emergency School Aid, and Training and Advisory Services authorized by the Civil Rights Act. In fiscal year 1982, program emphasis will continue to be on assisting districts which are in the process of implementing recent desegregation plans and the achievement of educational equity for all students regardless of their race, sex, or national origin.

School Assistance in Federally Affected Areas

For School Assistance in Federally Affected Areas, we are requesting $401 million. The total request includes $337 million for Maintenance and Operations to direct budgetary resources only to those districts which are most severely burdened by Federal activities. To support the Federal role of providing safe and adequate school facilities for federally-connected children, we are requesting $64 million for Construction.

For all programs in the Office of Elementary and Secondary Education, regulatory functions are performed only to the extent that program regulations are developed and issued. All administrative costs supporting these functions are funded out of the Departmental Management, Salaries and Expenses account.

In summary, this budget request represents a continued effort to provide services to disadvantaged children and to improve the quality of education in the Nation's schools.

Biographical Sketch

NAME : John H. Rodriguez

POSITION : Acting Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : San Diego, California, November 28, 1926

EDUCATION : San Diego State College, 1953, B.A.
Claremont Graduate School, 1959, M.A.
Claremont Graduate School, 1973, Ph.D.

EXPERIENCE :

PRESENT : Acting Assistant Secretary for Elementary and Secondary Education

1974-1980 : Associate Commissioner for Compensatory Educational Programs
1972-1974 : Associate Deputy Commissioner for School Systems
1970-1972 : Superintendent, Upland School District, Upland, California
1970-1970 : Assistant Director, Administrator Preparation Program, Claremont Graduate School, Claremont, California
1969-1969 : Superintendent, Perris School District, Perris, California
1955-1969 : Principal, Rialto Unified School District, Rialto, California
1952-1955 : Teacher, Rialto School District, Rialto, California
1951-1952 : Teacher, Apple Valley School District, Apple Valley, California

ASSOCIATION MEMBERSHIP : American Association of School Administrators

INTRODUCTION OF ASSOCIATES

Mr. RODRIGUEZ. Thank you, Mr. Chairman. I would like to introduce my colleagues at the beginning.

On my immediate left is Mr. Wilbert Cheatham, who is the Deputy Assistant Secretary for Compensatory Education Programs. Next to him, on his left, is Mr. Vidal Rivera, who is the Deputy Director for Migrant Education Programs. And on his left is Ms. Sally Christensen, who is the Acting Assistant Secretary for Planning and Budget.

On my right is Dr. Al White, who is the Acting Deputy Assistant Secretary for Educational Support Programs; on his right, Mr. Ken Hoyt, who is the Director of the Career Education Programs. And to his right is the Acting Director of State Educational Assistance Programs, Mr. Allen King. And on his right is the Assistant Director of the Teacher Center Program, Mr. Bruce Gaarder.

In the interest of time, Mr. Chairman, if you will permit, I would like to submit the overview statement and the opening statements for compensatory programs for disadvantaged students and special programs and populations for the record, and just highlight both of those at this time.

Senator SCHMITT. Please do, and that will be made part of the record.

OVERVIEW

Mr. RODRIGUEZ. Thank you. Our purpose this afternoon is to present the budget request for 1982 for compensatory education programs for disadvantaged students, and for special programs and populations. It is our intention today to explain this budget request and put it in perspective.

The fiscal year 1982 request for elementary and secondary education programs totals $4,802,384,000, which is a 2-percent increase over the fiscal year 1981 appropriation.

COMPENSATORY PROGRAMS FOR DISADVANTAGED STUDENTS

That portion of the request to be discussed this afternoon totals $3,985,972,000. Now, this includes $3.8 billion for grants for disadvantaged, authorized by title I of the Elementary and Secondary Education Act, which is an increase of $315.5 million or 8.2 percent above the 1982 level. Of the total title I request, $3 billion will go for basic grants, an increase of about $250 million, and this will allow school districts to maintain the current level of services and increase the number served by about 62,000 students.

The request also contains $200 million for concentration grants, an increase of $55 million more than 1981. These funds will go to school districts with high concentrations of children from low-income families. At this level, 75,000 additional students above the 1981 level could be served. Title I programs under basic and concentration grant requests could serve about 5,600,000 youngsters.

Now, under the State agency programs, this request asks for a total of $490,750,000, which is the same level which is currently estimated for the 1981 migrant education, handicapped, and neglected and delinquent, State agency programs. The title I request also includes set-asides for State administration at $53.2 million, and evaluation of $12,750,000. The budget request for Follow Through is $35.4 million, which is $8,850,000 less than the 1981 level. This request assumes open competition for service site awards, which will decrease the number of sites from 150 in 1981 to 110 in 1982. In addition to the migrant education State agency program, this budget request includes $6,345,000 for the high school equivalency program known as HEP, and $1,208,000 for the college assistance migrant program, also known as CAMP.

SPECIAL PROGRAMS AND POPULATIONS

Under the special programs and populations account, the budget request is $120,300,000. This includes $50 million for title IV, part C of the Elementary and Secondary Education Act, a level equal to that proposed after a rescission requested for 1981. The intention of the reduced level of funding for title IV–C is to shift from developing new, innovative projects to disseminating and implementing some of the programs already developed.

The request for strengthening State educational agency management for fiscal year 1982 is $46 million. A proposed rescission would reduce the 1981 appropriation to the same level. These funds would continue to support specific projects designed to improve State management of the educational programs.

The career education incentive program seeks to assist State and local education agencies to integrate career awareness into existing educational programs. The 1982 amount requested is $10 million. In 1982, this program will be on a 50–50 matching basis. Again, a rescission requested will reduce the 1981 appropriation to the same level.

The last component of the special programs and populations account is teacher centers. The 1982 budget request for teacher centers is $14,300,000, an increase of $1.3 million, or 10 percent above the 1981 level. This will fund approximately 13 new teacher center projects, and 10 new center planning projects. The 1982 request does not include funding for general assistance to the Virgin Islands or the Ellender Fellowships.

Mr. Chairman, my colleagues and I will be glad to explain any portion of this request and try to answer questions that you may have.

Thank you very much.

ESEA TITLE I CARRYOVER

Senator SCHMITT. Thank you, sir. To what extent are funds from previous years being carried over to the following year by local school districts?

Mr. RODRIGUEZ. In the case of title I——

Senator SCHMITT. In particular with respect to title I.

Mr. RODRIGUEZ. For the basic grants program, about 10 percent nationwide are, on the average, being carried over from 1 year to the next. This varies greatly, and in some States it's less than 1 percent. In others, it exceeds 15 percent.

But there is a wide variation in the practices of various States, as you are aware, I'm sure. The Department's staff has been working on this problem for several years, and they have made significant headway with regard to this carryover problem.

Senator SCHMITT. Why do you view it as a problem?

Mr. RODRIGUEZ. The question of money being available for expenditure and not being spent has been perceived as a problem in regard to this program. The question has been raised time and again as to why money is being carried over, and why are additional moneys being requested when you have this carryover available for expenditure.

Senator SCHMITT. Is there any general answer?

Mr. RODRIGUEZ. Generally, the practice has been to have a safeguard, a hedge, against the unknowns that exist in the appropriation situation from time to time—with continuing resolutions on the part of the Federal Government to cases where adjustments have been made during the appropriations year. All these cause concern on the part of the States and local school districts.

In addition, some States have been very slow in approving projects, and by the time the local education agency gets their money, it is well into the year, and they do not really have the opportunity to spend the funds that they have requested.

Senator SCHMITT. So it is to some significant degree, the attempts by local school districts to create some kind of an operating reserve because of uncertainties in what the Federal funding process is going to be?

Mr. RODRIGUEZ. Yes, sir; in part.

Senator SCHMITT. The actual amount relative to the totals spent for education, for elementary and secondary education, in this country, would be somewhat less than 1 percent, right? That holdover would amount to less than 1 percent of their total budget?

Mr. RODRIGUEZ. Yes, sir.

EFFECT OF BLOCK GRANT PROPOSAL

Senator SCHMITT. To what extent would the goals of the title I program be carried out at the local level, in your opinion, under a block grant program for elementary and secondary education?

Mr. RODRIGUEZ. Well, there are so many unknowns with regard to that proposal, Mr. Chairman, that we would have to study the proposal to see what would be involved and what the targeting might be, if any.

Senator SCHMITT. I know it's an overgeneralization, but let's take the extreme case where all title I funds were distributed in some block grant formula.

Mr. RODRIGUEZ. Again—I am not deliberately trying to hedge, but if I had some information, I'd be glad to share it with you.

Until one knows how the moneys are intended to be spent, it would be difficult for me to give you an appropriate answer.

Ms. CHRISTENSEN. Mr. Chairman, it is the intent of the administration that the funds that go into the block grants be used at the local level for those specific target populations, so it would be up to the LEA to determine what percentage of funds would be used, say, for disadvantaged, as opposed to handicapped—or children in districts that are going through desegregation, or adult illiterates. Those are the four categories that will be covered in the block grant. It is the administration's intent that they remain in there, and that it would be up to the LEA to determine to what extent they would be funded. But the funds would be in there for that purpose.

Senator SCHMITT. Are there any other proposals that you're aware of for inclusion of activities in that block grant, besides the one you described, or the ones you described?

Ms. CHRISTENSEN. In the local education block grant, we have the grants for disadvantaged, title I, the basic grants, the State agency migrant programs, and the concentration grants. And then we have certain items under emergency school aid, which now go to local education agencies.

And we have the two programs under education for the handicapped, formula grants that now go to the LEA's, as well as adult education and part of basic skills.

Senator SCHMITT. Are there any of these programs that certain States are not participating in, at the present time?

Mr. RODRIGUEZ. There are some States that are not participating in the migrant education program at this time.

Ms. CHRISTENSEN. That's probably the only one.

Senator SCHMITT. I know of one State that's not participating in the handicapped program. But I think it is the only one. Have you thought about how those programs would be handled if a State has chosen not to participate?

Ms. CHRISTENSEN. Those details are being worked out now, as we are drafting the legislation and specifications. We have just begun to do that.

TARGETING UNDER BLOCK GRANTS

Senator SCHMITT. What forces would you depend upon to see that the target population is appropriately served under a block grant program? What kind of discretion would the local education agencies be given?

What do you think would be the principal forces that will move that discretion in the direction of serving appropriately the diversity of needs of the target populations? Every State and every district is different, and that is one of the advantages of a block grant. What are the counterforces that insure that proper service is provided?

Ms. CHRISTENSEN. That has not yet been worked out, either.

Senator SCHMITT. I'm not looking for anything you will put in legislation; I'm just looking for your assessment of why you think block grants will work.

Ms. CHRISTENSEN. Well, the States have been getting this aid now for a period of 15 or so years, including improvement at the State and local management levels. And we feel that it should be their discretion to make these kinds of decisions. Obviously, there might be some reductions in some areas.

Senator SCHMITT. Well, I don't know that that's obvious, because of a feeling that there are going to be some countervening forces that will actually improve the service. But that is a bias, and I am looking for a more objective point of view.

SAVINGS UNDER BLOCK GRANTS

Ms. CHRISTENSEN. Part of the argument is that the decrease, for instance, in the 1982 budget, would be to a large degree offset by the reductions in administrative burdens and costs, at both the State and local levels, as well as the increased flexibility for the States and localities.

Senator SCHMITT. So, one area of potential saving is, where a target population is present at less than what the previous categorical grant plan assumed would be served there would be a sort of excess in funds, which could be applied to a target population that was underserved under the categorical program we had.

Ms. CHRISTENSEN. That is the premise on which it was based—that the added flexibility along with the increased savings as a result of the lessening of administrative costs and duplications at both the State and local levels would offset the reductions in Federal funds, and would, in effect, make additional funds available.

Senator SCHMITT. Have you made any quantitative estimates yet of those administrative savings?

Ms. CHRISTENSEN. We have come up with a very rough estimate that there is about a 13-percent overhead cost at the State and local levels.

Senator SCHMITT. Overhead on the categorical programs?

Ms. CHRISTENSEN. Yes.

Senator SCHMITT. That's about the lowest number I have heard in a long time.

Ms. CHRISTENSEN. It is not a firm figure, but it is one that we came up with in the very short time period that we have been working with this new proposal.

Senator SCHMITT. Have you tried to make an estimate of the number of personnel that are involved in administering categorical grants versus those who would be required to administer a block grant approach?

Ms. CHRISTENSEN. We're in the process of doing that now. We have not been able to come up with anything yet.

SERVICES TO NONPUBLIC SCHOOLS

Senator SCHMITT. If a local school district decided to deny block grant money to nonpublic schools eligible for title I funds, currently, what recourse would you see would be available to those nonpublic schools?

Ms. CHRISTENSEN. That's another aspect of the situation, Mr. Chairman, that we are currently looking into. And that has not yet been developed.

ACCOUNTABILITY

Senator SCHMITT. What accountability would you envision there would be, to insure that funds were spent as specified, by local officials?

Ms. CHRISTENSEN. There again, that's another area we are developing in the specifications now; that along with the formula allocations, the supplement-not-supplant provisions, and the matching requirements. All of those are being developed now. I just don't have anything else I can tell you at this point.

Senator SCHMITT. Would you envision a Federal auditing procedure? Would you rely upon the State auditing procedure with, maybe, spot checks?

Ms. CHRISTENSEN. It would probably be both.

READING AND MATHEMATICS PROGRAMS

Senator SCHMITT. The fiscal 1982 budget narrative indicates that 85 percent of title I participants will receive compensatory instruction in reading and language arts, while only 44 percent will receive math instruction. What factors prevent 100-percent participation of title I children in compensatory math and reading instruction?

Mr. RODRIGUEZ. The data comes from a study done by the National Institute for Education, and that study was designed to reveal what the practices were at the time of the study. The selection of youngsters to receive compensatory services in reading or math or language depends on their need. School districts design a project based upon the need of children within the schools that are eligible to receive title I services.

And then youngsters are selected for participation in that project, based upon the needs that they have that are compatible with the project being offered. And so, if a youngster needs services in both areas, and is eligible for title I, he can receive both services.

Senator SCHMITT. But you do find, then, by implication, that there are young people that are deficient in their reading and language arts skills but are proficient in their math skills?

Mr. RODRIGUEZ. Yes; that happens frequently.

Senator SCHMITT. Would that be the basic explanation for the difference between 44 and 85 percent?

Mr. RODRIGUEZ. That would be my guess, that that would be the reason.

On the other hand, the school district may feel that for that school reading and language arts are the principal needs.

Senator SCHMITT. They do have discretion at this time?

Mr. RODRIGUEZ. Yes, they do.

Senator SCHMITT. If you have any other data for the committee on how that decision is made, we would appreciate having that for our record.

Mr. RODRIGUEZ. We would be glad to do so, Mr. Chairman.

[The information follows:]

CHARACTER OF TITLE I SERVICES

The current title I statute makes the local school district responsible for designing a program which meets the needs of its disadvantaged students. The school district is required, moreover, to concentrate services on the students most in need of special services. Districts have responded by designing a variety of programs and offering services such as basic skills instuction, health and nutrition services, counseling, and a host of others. There is a broad consensus, evidenced by over 15 years experience, that the most common need of disadvantaged children is in the area of basic skills, literacy, and computation. Of these, the most important is usually literacy.

In addition, school districts normally have to focus limited resources on only a portion of those eligible for title I services. If greater resources were available, school districts might well increase participation in mathematics programs as well as expanding the overall number of participants.

EFFECTIVENESS OF TITLE I PROGRAMS

Senator SCHMITT. There's substantial evidence that the effectiveness of a school in serving the disadvantaged is influenced by factors such as organizational and parental leadership, structured learning environments, et cetera than by the quality of the resources available to the schools.

Would you agree with that—that those parameters are at times more important than the quality of resources, physical plant, or quantity of resources?

Mr. RODRIGUEZ. Well, the evidence, I guess, shows that the most dominant factor that influences the quality of education is the resources that are available to that school. However, there is other evidence which indicates that aspects of the quality of education, such as time on task and obviously the competency of the staff providing the services, are very influential factors.

I am not certain that organizational structure has a particular impact on education. It depends on how that structure influences the instructional program. If we are talking about, for example, grade groupings, that structure might facilitate the differentiated instruction that could be offered to youngsters within a classroom. On the other hand, departmentalized structures might assist or restrict, depending on how the internal movements occurred within that school.

I guess there are just a number of factors that we don't know, which is the most significant with regard to the impact on the quality of education.

TITLE I NATIONAL STUDIES

Senator SCHMITT. Are there any studies existing or ongoing that are attempting to determine how effective the title I services per se are in meeting the learning needs of disadvantaged students?

Mr. RODRIGUEZ. If I may, Mr. Chairman, I would like to call on Dr. Janice Anderson, who works in our Program Evaluation Office, to give some information on that.

Senator SCHMITT. Please, if she has something to add. Ms. Anderson?

Ms. ANDERSON. There are several studies underway to study the effectiveness——

Senator SCHMITT. Would you stand, please? It would be easier for the reporter to hear you.

Ms. ANDERSON. There are several studies underway to look at the effectiveness of the services provided under the title I program. One in particular is a study that looks at services over 3 years in over 200 schools nationwide, documenting title I students' receipt of services as opposed to non-title I student services and the effectiveness of those extra services.

We have rough data in now which looks at student growth over the course of 1 school year instead of the full 3 and we find that it varies across grades from grade one through six, and it varies according to whether it's math were looking at or reading services in title I. But in general, we can document that the children are showing additional achievement growth over and above what we would expect without the extra title I help.

The percent of extra growth varies across the grades and across the subject matter, but it ranges from maybe 10 to 30 percent, depending upon what in particular we're looking at.

Senator SCHMITT. How much money has been spent on Title I evaluation over the last 2 years? Can you give me some measure of that?

Mr. RODRIGUEZ. Mr. Cheatham, do we have any data on that?

Mr. CHEATHAM. Mr. Chairman, the figure for 1981 is $10 million. The request this year is for $12.7 million. I can supply for the record how much we've spent since 1975.

Senator SCHMITT. That would be very helpful. I get the impression that it's hard to measure the program.

Mr. CHEATHAM. Well, Mr. Chairman, we have had our problems, but since 1975 there have been several studies. I keep switching back to Dr. Anderson. She can explain several of them better than I. But there have been a number of studies including one that is just coming to a close now on sustaining effects. It has shown very substantial growth in achievement on the part of disadvantaged children and because of these title I services. Especially where the services are focused on specific children in the basic skills areas, reading and math and language arts, we have found significant gains.

One study showed that at least 42 percent of the students gained at the same level as their peers, which means that they were no longer falling off, compared to the average child in their grade level. But beyond that, a significant percentage were closing the gap, and the indications from the recent study on sustaining effects are that we will have more data showing that disadvantaged children are closing the gap because of the services they are receiving from this program.

Senator SCHMITT. Could you supply for the record a summary of the most recent studies over the past several years and what their conclusions have been—not just those that are positive, but any inconclusive or negative findings as well?

Mr. CHEATHAM. We will give you a summary of all studies and their costs since 1975.

Senator SCHMITT. That will be fine. Thank you.

[The information follows:]

TITLE I EVALUATION AND STUDIES

The title I statute authorizes expenditure of up to one-half of 1 percent of the total title I appropriation for independent evaluations of the program's impact and for technical and other assistance to State educational agencies so that they can assist local school districts and other State agencies systematically evaluate title I projects. Between 1975 and 1980, the Congress appropriated $54 million for these purposes. Of this total, at least $33 million represents funding for technical assistance to State and local educational agencies.

Since 1975, at least three major studies have been completed which addressed the issue of title I's effectiveness, the compensatory reading study conducted by the Educational Testing Service, the compensatory education study carried out by the National Institute for Education, and a study entitled "Patterns in Title I Reading Achievement," conducted by the Stanford Research Institue. All investigated achievement gains by title I participants and, in general, concluded that these children showed an average gain of more than 1 month for each month's instruction.

The compensatory education study encompassed several other research efforts which looked at topics such as funds allocation, service delivery, student development, program administration, and parent advisory councils.

Since the Education Amendments of 1978, the Department has undertaken a variety of studies. Recently concluded were a study of the title I neglected and delinquent program and one segment of a study of the title I migrant program. Other segments of the migrant study are scheduled for completion in the near future. Currently underway are studies of the comparability requirement and alternative methods to demonstrate compliance with it, and of local school district and State management practices. The primary effort now in process is however, the sustaining effects study, a multifaceted study including major segments dealing with achievement gains over 3 years, cost effectiveness, and participation rates. A total of 20 reports are contemplated, 8 of which have been published.

EFFECT OF LOCAL CONDITIONS

Senator SCHMITT. Do any of those studies look at what other changes in local environments may have occurred that could lead to either improvement or lack of improvement in the learning capabilities of disadvantaged students?

Mr. RODRIGUEZ. I don't know of any.

Ms. ANDERSON. Well we have documented the extra kinds of educational resources that the title I students receive, that their peers or non-title I students do not receive. We have also looked at student attitudinal development, so I'm not certain exactly what you're interested in, but we could certainly summarize it when we send you the summary of the studies.

Senator SCHMITT. Well I'm thinking of other outside influences during the same period of time, for example, since the ESEA has been active, we have had an apparently increased involvement of young people in the use of drugs and that kind of thing. I'm just wondering, if there are any other blanket effects that may be reducing the effectiveness of your program or enhancing it. I could conceive that it could go either way; I just don't know.

Mr. CHEATHAM. I don't believe we have really looked carefully at those influences.

Senator SCHMITT. For example, a changing preschool environment, I would be willing to say—when did you say this program started? In 1965?

Mr. CHEATHAM. 1965.

Senator SCHMITT. I would be willing to guess that in that 16-year period, there has been a major change in preschool education, primarily as a result of television and increased access by disadvantaged students to television, and I'm wondering whether that has had a positive or a negative influence on your programs.

Mr. CHEATHAM. Well one of the problems with addressing a question such as that is, first of all, that we didn't do much in terms of separating out information on these students prior to these kinds of programs.

The other factor in our evaluation is that if, indeed, most school districts and State agencies have made this determination and are focusing on the truly disadvantaged, those kids who really need services, you don't have a group left to compare them with in terms of what would happen without special programs, because title I is in 14,000 school districts, and most school districts are participating.

I don't believe, though, that we've looked at the effects of drugs and community involvement. We've looked at parental involvement and that type of thing.

Senator SCHMITT. What does that tell you?

Mr. CHEATHAM. In our most effective programs and the programs that we have disseminated as being the most effective, there is a high correlation in terms of the activity of the parents, not only in terms of their monitoring and evaluation responsibilities with the local school district, but also the activities that those parents carry on with their children at home. These have been key factors—follow-up experiences where the classroom teacher, the parent advisory committee, have formed a program that really relates to what is going to happen after schools.

So we have some information on that.

PRESCHOOL PROGRAM COORDINATION

Senator SCHMITT. The contact I've had with the Head Start program has been extremely gratifying, I think without exception. That doesn't mean there aren't exceptions, but I've had a good experience with it. Partly, I think it is because the people I have run into are extraordinarily motivated young people, who believe to work in the Head Start program is one of the most important things they'll ever do with their lives, and we need to tap that kind of enthusiasm and motivation. And believe me, you can even go to the moon when you do that.

What is the relationship between what you're trying to do and the Head Start program? Is there a close coordination, or is it accidental?

Mr. RODRIGUEZ. Well, yes.

Senator SCHMITT. Yes; it is both?

Mr. RODRIGUEZ. It is both. The preschool programs are not strictly of a Head Start type orientation. Title I, for example, has a number of preschool programs that are now part of the school program. For example, in New Mexico, the title I funds are provided for the initial kindergarten programs in that State, getting their programs started, as well as in many other States. What was previously a preschool program is now an in-school program.

In addition, title I migrant education program moneys have gone for preschool education programs, and currently probably more money out of the title I migrant program is going for preschool education programs than there is money from Head Start serving the migrant youngsters.

In addition to that, the Follow Through program does take and is designed to take youngsters from compensatory as well as Head Start type programs and to provide in-school educational type instructional programs and design them around a particular educational model, an instructional model, to serve these youngsters and try to take advantage of the head start these youngsters had and maintaining that, so that they will have a better opportunity in school and later in life.

RELATIONSHIP OF HEAD START AND TITLE I

Senator SCHMITT. Is there any good justification for keeping Head Start separate from your activities?

Mr. RODRIGUEZ. I can only give you a personal answer to that. I believe—my own personal view is—that there should be a coordinating requirement between all Head Start kinds of activities and school district, in-school activities. The Education Amendments of 1978 have in fact a provision for a special project, in title III, which attempts to do that, to bring that coordination between Head Start and school-type activities.

I believe that requirement should be made universal, that those kinds of things that are going on in Head Start are accounted for in the school program when these youngsters are going to school. The moneys on this special project were to try to determine whether, in fact, there were some academic gains were made by youngsters by the end of the second grade. I'm not sure whether that has ever been funded or not.

EFFECTIVENESS OF FOLLOW THROUGH

Senator SCHMITT. It is my impression that evaluations have been fairly universally positive with respect to the effects of the Head Start program and that they have been somewhat mixed with respect to Follow Through.

Is there some inherent difference between the two programs? Is it because the kids are getting older, and they are not as susceptible to learning or what?

Mr. RODRIGUEZ. When the Follow Through program was initiated, not all of the models were designed to follow the Head Start program. Some do have components that are similar. For example, the comprehensive services notion is common to both programs, Head Start and Follow Through.

In terms of the instructional processes or the instructional design of the Follow Through models—not all of them were consistent with the kinds of programs the youngsters were experiencing in Head Start, which may have been good for the youngsters.

HEAD START AND TITLE I

Senator SCHMITT. If it were decided to undertake Head Start type activities solely within the ESEA title I activity, do you have the legislative authority to undertake such activity?

Mr. RODRIGUEZ. Would you repeat that?

Senator SCHMITT. If Head Start was going to be accomplished under title I, do you have the legislative authority necessary to undertake Head Start?

Mr. RODRIGUEZ. No; I don't believe so.

Senator SCHMITT. It would take a legislative change to give you that authority?

Mr. RODRIGUEZ. Yes, sir.

Senator SCHMITT. Is that because you're authorized to work in an in-school environment only?

Mr. RODRIGUEZ. LEA's can, if they have funds available, can have a preschool program. They can design that.

Senator SCHMITT. But they could not use your funds?

Mr. RODRIGUEZ. Yes; they could use title I funds.

Senator SCHMITT. They could use title I funds for preschool Head Start type activities?

Mr. RODRIGUEZ. Yes; but we could not require them to do that.

COSTS OF TITLE I MIGRANT PROGRAMS

Senator SCHMITT. With respect to migrant education, it appears, according to the GAO at any rate, that the administration of title I migrant programs costs twice as much as the regular title I basic grants program. Do you agree with that figure, and if so, why does it cost more?

Mr. RODRIGUEZ. In some cases, that is true. There is a wide range of costs, both in title I and in the migrant program. On the average, the reason that migrant education programs cost more is that these youngsters participate in programs at the time that school programs are not being offered, during the summer months, and often extended day programs, and so the cost is going to be greater when there is not State and local support to finance the program.

Senator SCHMITT. Is it a question of the seasonal aspect of the migrant education? I presume also the tracking costs factor into that?

Mr. RODRIGUEZ. They do, but the tracking cost in the migrant student record transfer system are not that great and would not contribute significantly.

Senator SCHMITT. It's principally the first factor you mentioned?

Mr. RODRIGUEZ. Yes, sir.

Mr. RIVERA. Senator, one of the things that we generally get involved in because of the nature of the program is that the State departments of education not only administer the program but operate the program. It is discretionary from the State on out. There are a number of intrastate activities and interstate activities the State must undertake according to the statute, and so what happens in audits and that kind of business is that all of this is lumped into what they call an administrative cost, but basically it really isn't. The State assumes the function, then, of operating for instance, a lot of in-service training programs and a lot of interstate activities that nominally would not be done in the State in a basic title I program.

So it is the State that often goes ahead, and they look at its activities as administrative costs, but it really isn't administrative cost.

Senator SCHMITT. The cost of the migrant program has increased fairly steadily in recent years. Now, I frankly don't know whether that is a cost per beneficiary or just the total cost of the program.

Mr. RODRIGUEZ. I think it's both.

Senator SCHMITT. Why would the cost per beneficiary be rising?

Mr. RODRIGUEZ. Well, as with all other costs——

Senator SCHMITT. Well, I presume there is inflation, but I don't have that data here.

Mr. RODRIGUEZ. Well, there are changes in the statute that provide additional costs. For example, the summer school incremental cost is now permitted and provided for in the statute,which adds an additional cost or an additional amount to the total of the program. There are additional youngsters participating in the program. So all of these factors feed into the costs.

STATUS OF UNDOCUMENTED MIGRANTS

Senator SCHMITT. In light of recent court decisions, how does the Department view the status of the children of undocumented workers with respect to migrant education?

Mr. RODRIGUEZ. It has always been our position that youngsters do not have to demonstrate evidence of nationality to participate in the program.

Senator SCHMITT. Have you sensed any changes in that philosophy?

Mr. RODRIGUEZ. Not at the Federal level. Some States are concerned about that issue.

MIGRANT DROPOUT RATES

Senator SCHMITT. Do you have any information about the proportion of migrant students who enroll in high school equivalency programs that drop out of the program before they complete it?

Mr. RIVERA. We could get that.

Senator SCHMITT. Could you supply it for the record, and if you have any information on the reasons why those students drop out, we would appreciate that also.

Mr. RODRIGUEZ. We'd be glad to, Mr. Chairman.

[The information follows:]

MIGRANT DROPOUTS

Nearly 70 percent of those who enter the high school equivalency program complete the program and obtain a high school equivalency certificate. Eighty percent go on to jobs, college, or another training program. There is no current data as to why the remainder fail to complete the course successfully. But it should be kept in mind that these programs serve migrant students who have already dropped out of school. Viewed in this light the program has a remarkably high success rate.

PROGRAMS TRANSFERRED FROM DEPARTMENT OF LABOR

Senator SCHMITT. Where did you come up with the acronym HEP?

Mr. RODRIGUEZ. We inherited that from Labor.

Senator SCHMITT. Add that to Schmitt's Law No. 49, "Agencies tend to take on the characteristics of their acronyms." [Laughter.]

COORDINATION WITH DEPARTMENT OF LABOR

Do you have a close coordination with the Department of Labor and its migrant education program?

Mr. RODRIGUEZ. Yes; we have had in the past.

Mr. RIVERA. Well at the State level, yes. We have some coordination. You're talking about the HEP and CAMP programs?

Senator SCHMITT. I'm just talking generally about migrant education.

Mr. RIVERA. Not as close as we would like, Senator Schmitt.

Senator SCHMITT. What tends to be the difficulty in that coordination?

Mr. RIVERA. Well basically it is a definitional difficulty, whereas by definition we serve migratory and what we would call seasonal as well, but they have to be migratory to begin with; whereas there is a definitional difficulty with the Department of Labor. It is another one in terms of flow. They have grantees or prime sponsors, excuse me, at each one of the State levels for their seasonal farmworker programs, and oftentimes there is a lack of a good solid linkage at the State level—different reporting requirements, a number of different elements—but we do have some good signs of good coordination with some of the CETA programs, for instance, for the seasonal farmworkers in some of the States but not as great as we would like to have.

We have established some good linkages with the migrant health program within HHS. We have signed some agreements. This is our second year in which we are operating very closely with them, and to kind of piggyback on what you said earlier, we have some very good close coordination going on with the migrant and Indian Head Start program as well through our computer system and also working with their youngsters.

Senator SCHMITT. For the record, maybe we'll ask the Department of Labor some questions on this, but it seems to me there ought to be some way to make sure that all of the resources are applied to the same problem without any great difficulty—although having been in an administrative position, I know that is easier said than done.

Have you been asked at any time to evaluate the effects of legalization of the major group of so-called undocumented workers on the migrant education program, or your title I programs in general? That is, if the migrant workers from Mexico, for example, were here on a temporary but legal status, how would that affect your program?

Mr. RODRIGUEZ. To my knowledge, there has been no inquiry in that regard.

PARTICIPATION OF CHILDREN OF UNDOCUMENTED WORKERS

Senator SCHMITT. Do you suspect that the migrant program does not serve a significant proportion of the children of undocumented workers?

Mr. RODRIGUEZ. I would have no basis for answering that.

Senator SCHMITT. You have never tried to evaluate that, since you make it a rule not to ask questions—you assume that the parents of those children know that you're not asking questions?

Mr. RODRIGUEZ. I would suspect that it would be those who are not enrolled in the program, who are eligible to enroll. Those parents would have a concern of being identified so that part of the problem is not identifying all of the eligible migrants.

Mr. RIVERA. Could I add, no inquiry has been made on that, Senator, from our office. It would seem to me that it would be similar to the situation, when they are contracting workers, such as they did with Puerto Rico and a few other areas. The workers would be males, single, what have you—that normally would not travel with youngsters.

Senator SCHMITT. I think you are right. I think that is an excellent analysis. All of the evidence that I have seen in working on this particular problem is that the vast majority are single, and families if they do exist remain in Mexico. But there are illegal families, in a sense, in this country, and I am wondering if they are participating or are not participating out of fear of being identified as being here illegally.

And you don't have information on that?

Mr. RODRIGUEZ. No, sir.

TITLE I NEGLECTED AND DELINQUENT PROGRAMS

Senator SCHMITT. Recent evaluations of title I neglected and delinquent program indicate the following problems.

Institutions tend to view title I as an elective, and cancel classes in favor of other activities; title I students generally have poor attendance patterns; and test scores indicate that on the whole title I participants do not make achievement gains above what could be expected from a regular instruction program.

Do you agree that those are problems? And what information can you give us that would justify continuing the program?

Mr. RODRIGUEZ. Yes; I believe that they are continuing problems. I would like Mr. Cheatham to respond with regard to how those problems might be overcome.

Mr. CHEATHAM. Senator, we have begun a number of training sessions in supporting State training programs for those people who work on these programs in the various States. This is a concern, as you note in this package. We are also concerned with the transitional problem that the students don't do very well while at the institution in title I program, and when they leave, many of them never return to school. Those who do return to school, about 80 percent of them drop out.

And so, that is part of an overall concern regarding this program. It certainly relates to the fact that when you talk about students eligible for title I, we are talking about a proportion of the population who has a disproportionate share of the "problems," and then when they are institutionalized, and the institution tries to target on those kids who need the services the worst, many times those are the ones who are behavior problems in the institution, and the first ones to be disciplined for something that might happen in the classroom which has caused the participation to fall off.

All I can tell you now is it is a concern. We have started to upgrade the training program. We are beginning the development of our implementation plans for the transition program, and we will be assigning more staff to that, and we also are working with Dr. Anderson's office on some specific recommendations flowing from that evaluation report.

EFFECT OF CRIME ON DISADVANTAGED STUDENTS

Senator SCHMITT. I hope you will keep us informed as you come to any further conclusions on that.

In a somewhat related area, do you sense in any of your evaluations that the disadvantaged to be served by this program are affected more than others by crime, intimidation, threats of various kinds from other students?

Mr. CHEATHAM. In the institution?

Senator SCHMITT. In the institutions where your programs are active.

Mr. RODRIGUEZ. I don't think we have any information on that.

Senator SCHMITT. I presume no title I funds can be used to provide an increase in school law enforcement or protection activities?

Mr. RODRIGUEZ. No, sir.

CONCENTRATION GRANTS

Senator SCHMITT. Now before I ask this question, let me say that I personally believe that one of the most fundamental problems our education system faces is that of the education of students, disadvantaged or otherwise, within the core high-unemployment areas of the country, whether they be urban or rural. People often forget that there are rural areas of this country that have higher unemployment and lower standards of living than do even some of the worst situations we face in our cities, but in combination, they clearly have the greatest challenge in terms of elementary and secondary education and preschool education.

Now, the concentration grants have been a subject of considerable discussion as to whether, one, they are effective and, two, whether they should be continued in a time of fiscal stringency.

Would you, Mr. Rodriguez, and anyone else who cares to comment, discuss these title I funds and concentration grants and in particular the relative distribution of urban versus rural unemployment or disadvantaged areas?

Mr. RODRIGUEZ. Just briefly, my knowledge of that is that about 60 percent of the concentration grants go to urban school districts. About 25 percent of the funds go to rural school districts, and the balance goes to other categories of school districts.

Mr. Cheatham, perhaps, would have a better handle on part of your question than I would.

Mr. CHEATHAM. I'm not sure what I can add. I mean, that is exactly what happens. The title I formula overall works very well at following the rises and falls of poverty and the concentration grants, of course, come in over and above that to many of those same school districts and allow us to serve another 300,000 students. But the way the title I formula works right now, Senator, there is a way for—if there is a shift in terms of the number of people on welfare and other key indicators of poverty that we use, then that will generate more money to that school district. And so that really goes back to why the States were being rather conservative on their carryover, because they know that a shift—closing of a plant, for example, which may put a lot of people on welfare in a neighboring State could shift money to that State—and because of those fluctuations, they kept a cushion.

We agree that in some cases it was too much, but both the regular formula, the basic grant program, and the concentration formula follow those shifts very well.

Senator SCHMITT. Is there any difference in the application of concentration grants versus the basic title I grants? Do the goals differ in any way at the local agency level?

Mr. CHEATHAM. At the local level, there is flexibility there for them to design new programs. Basically what school districts do is add eligible students to their ongoing programs. We have figured that we are probably serving about half of the eligible students; therefore, especially in the poorer school districts, there are a large number of children who are not served by the program. So when they get an extra level of funding because of concentration grants, they generally add 100 or 500 students or so to their basic reading, math, and language arts programs. That is what we have found in most instances.

1980 CENSUS DATA

Senator SCHMITT. What progress has been made in implementing recent legislative provisions calling for the use of the 1980 census data for allocation of funds for local educational agency grant programs such as title I?

Mr. RODRIGUEZ. That data has not been made available yet for that purpose.

Senator SCHMITT. Are you having problems getting the data? As I recall, it was to be provided by the school districts. Is the Census Bureau running into a problem?

Mr. CHEATHAM. Senator, I don't believe they can—that we can use—that the Census Bureau is allowed to release it to us until some additional verifications, but we would really have to check into that and supply a written answer.

Senator SCHMITT. Would you provide the committee with information on the status of that?

Mr. CHEATHAM. Yes.

[The information follows:]

1980 CENSUS DATA

Because of the Census Bureau's processing schedule, 1980 census counts of children from low-income families would first be available in the second half of 1982 and could then be used for allocations for the 1983–84 school year.

Section 1521 of the Education Amendments of 1978 mandated that these data be collected by school district, something that was not done for the 1970 census data. The Department of Commerce, however, places first priority on collecting and disseminating the decennial census information. The Census Bureau is willing to provide the needed information after fulfilling their primary responsibility. It is the Bureau's position, however, that securing the funding for this project is the Department of Education's responsibility.

The Department had decided to issue a contract for the necessary work and requested funding in fiscal year 1981. These funds were not, however, included in the second continuing resolution.

TITLE IV–C

Senator SCHMITT. According to budget documents, title IV–C funds go to local education agencies to develop and implement innovative solutions to a wide variety of problems. Is support of the innovation process such as title IV–C without discernible ends or goals a worthwhile use of Federal funds?

Mr. RODRIGUEZ. I believe so. They have been very effective in demonstrating innovative practices. The evidence that we have to support that is that about two-thirds of the projects funded under title IV–C have continued to be funded after Federal funding has been withdrawn. And second, about 42 percent of all the projects that have gone through the Joint Dissemination and Review Panel for validation have been title IV–C projects that have been submitted for that purpose.

Dr. White may wish to add some additional information on that.

Mr. WHITE. Yes; in addition to the national diffusion network, about 45 of the States also have their own State validation systems in which they validate title IV–C projects and make them available for adoption within their own State. Last year, approximately 1,500 projects were adopted through the national diffusion network which had been developed by title IV. Title IV funds were used to adopt those projects.

Additionally, title IV–C funds supported, as demonstration projects last year, about 42 projects in bilingual education, costing in the vicinity of $1 million; 170 projects for disadvantaged children, costing $4.3 million; 83 projects in the preschool area for $1.2 million; 294 projects in the gifted and talented area with an expenditure of $6.5 million; 597 projects for handicapped children at $12.4 million; and about 313 projects in teacher in-service training for $9.3 million. So the program is being used to develop and demonstrate projects which other districts can adopt.

TITLE V–B

Senator SCHMITT. Historically, the enactment of the grant program for strengthening State educational management was necessary to improve the quality of State education management for State agencies receiving such Federal developmental assistance in some form or another for over 15 years. Do you think that we can justify such Federal funding now and in the future?

Mr. RODRIGUEZ. Well, I think that during that 15-year period State education agencies have significantly improved their management capabilities, and by and large those moneys have gone to strengthen that organization.

The moneys that are requested under title V–B are really just to strengthen the management of educational programs within the State, and I think there still needs to be some capacity building among States within that category.

Dr. White might want to add his comments to that.

Mr. WHITE. As you say, when the program first began in 1965, it was primarily filling in the gaps. As the various categorical programs were coming into the States, the States were, in terms of their personnel offices and financial accounting systems and data processing, were very shorthanded. They still see a need for the program in terms of the Federal recognition of the States as the administrators of most of the Federal educational programs.

TEACHER CENTERS

Senator SCHMITT. What are the specific goals of teacher centers?

Mr. RODRIGUEZ. The general approach for teacher centers has been to provide a resource for teachers in a given area to develop their capabilities and improving instruction in that area. The teacher center program is one that is fairly new to me, and I would like to have Mr. Gaarder elaborate on that, if he might.

Mr. GAARDER. It is a small program with a proposed appropriation of $14.3 million in 1982. At present there are 99 projects, almost all of them in local school districts, but about 8 in colleges and universities. The significant thing to say about them is that teachers need help. The journals are full of what you might say is recognition of their need. They don't say they need more money; it's not a question of that. It is advice and counsel, more skill, greater wisdom in dealing with this, that, and the other kind of people as children and the population and attitudes change. And since teachers remain, their problems become more difficult.

Ordinarily in-service training is a very haphazard and skimpy thing. The State that gives most generously of time—that is, paid time—gives 11 days; some States don't give even 1 day. So most of it comes, as you might say, off the teacher's back, the teacher's spare time. And typically in-service training during the school year would be a couple of half-days with all of the teachers getting off and meeting in an auditorium to listen to an inspirational speaker.

This is a different kind of thing in that it attempts to draw on the expertise, the wisdom, the skills, the knowledge of the best teachers in the area. It is probable that this untapped source of knowledge and help is the greatest in the country. We know how to teach, and that knowledge is in teachers.

So what the little teacher center program tries to do is draw on, stimulate, encourage, and draw on the skills, knowledge, and wisdom of the other teachers in a locality.

Senator SCHMITT. You don't think that the Heritage Foundation's charge that they are little more than taxpayer-financed union halls should be considered by this committee as valid?

Mr. GAARDER. Let me say just a word about that. I have thought considerably about it. I wrote the regulations—wrote both sets of them, so I have some knowledge of this.

To begin with, two of the leading members of the Education Committees of the Congress placed in the Congressional Record a statement of their understanding of the intent at the time the statute was enacted in 1976, and that was that there should be a role for the teachers' organizations in setting up the little policy boards that run them.

My attorneys said we have to take that into account, but we very carefully gave other options for setting up those policy boards which run the little centers, including elections or any other option that the grantee—that is, the school district—would wish to advance. So there is no policy board in which the teacher members are named by the teachers' organization where it wasn't done with the school district's or the school board's consent, because the school board runs the thing, and they can do it any other way they want to and leave out that organization if they choose to do so.

Now there is another thing. It is true that the NEA and the AFT have been lobbyists for this program. The reason for that is that teachers are extremely enthusiastic about it. But this program is part of an international movement to help teachers—strongest in Japan but next strongest in England—and the statute was written in the offices of the chief State school officers.

And one final thing is that we have had no evidence of any one of the two teachers' organizations influencing in the slightest thing that a teacher center does.

TEACHER CENTERS AND BLOCK GRANTS

Senator SCHMITT. Do you think the programs are popular enough that the States and localities would support them if Federal funding was eliminated?

Mr. GAARDER. Well there is a significant movement along that line. I noted here that since the centers began back in 1976—although that was when the statute was enacted, we didn't get underway until 1978—Michigan, Florida, West Virginia, Wisconsin, California, Oklahoma, and Massachusetts have all recast their overall program of teacher education, in-service education, using the model of the teacher center. They will have teacher center policy boards dominated by teachers or teacher majorities in order to tap the resources of schoolteachers to help themselves.

I should have said to begin with that a notable thing about in-service education as it now goes on is that teachers complain about its uselessness. Yet in our little centers, which I'm not saying are great or anything, it would not be unusual for—oh, in a given year—to record 15,000 instances of teachers going to the center on their own time for signficant amounts of help.

So the States are taking it up, and there are eight, who have begun to move into that kind of movement.

In a place or two local districts may take over funding following the first 3 years of centers. I can't tell until this year ends, to know what will happen after that. But there are indications that local school districts will take over the teacher center idea, if they know about it, because all it amounts to is giving a significant role, which costs nothing, to the teachers in whatever is done. That is, it is the teachers' program. In order to draw on them for a resource, they have to have a hand in it, and that is the essence of this little thing. We have 99 projects now.

ALTERNATIVES TO TITLE I

Senator SCHMITT. Thank you. We are going to have to move on.

Mr. Rodriguez, I have one final question that you may or may not want to answer. What if we applied $3.8 billion to teacher education and salary supplementals, rather than to the ESEA and related programs? What would be the effect of that? Would it have the same effect as ESEA, secondary and elementary teachers for instance?

Mr. RODRIGUEZ. My top of the head answer is probably not, but we would like to study that proposal and submit an answer for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

ALTERNATIVES TO TITLE I

One of the distinctive characteristics of Title I, as it currently exists, is the attempt to focus resources on a particular population, educationally disadvantaged children. The theory has been, almost since Title I's inception, that to be effective, Federal funds must be targeted properly. To accomplish this, various requirements have been incorporated into the Title I statute. A compelling reason for this focused approach, at least in some minds, has been the relatively small amount of Federal dollars available. A Title I appropriation of $3.8 billion could equal roughly 4.7 percent of the amount spent throughout the Nation on public elementary and secondary schools in 1977-78. Spending an equal amount of money on teacher education and supplements to teacher salaries would not, if the theory described above is at all accurate, have the same impact on the education of disadvantaged children.

Questions Submitted by the Subcommittee

TITLE I SERVICES

Question: Recent research findings indicate that many Title I children only receive supplemental instruction in basic skills instead of regular instruction funded through State and local revenues in addition to supplemental instruction funded by the Federal government. To what extent do Title I children receive special instruction in reading and math in addition to regular classroom instruction?

Answer: Some school districts choose to structure their Title I programs so that participants receive instruction in the regular classroom as well as instruction in some special setting. Others choose to provide addtional instruction within the regular classroom. Research appears to indicate that these are in fact the most common approaches to Title I.

Question: To what extent do Title I children receive this supplemental instruction in lieu of regular classroom instruction?

Answer: Although school districts can choose to serve Title I students entirely outside the regular classroom, it appears that this is not a common approach.

Question: Isn't it defeating the purpose of Title I to provide only supplemental instruction in basic skills in lieu of regular and supplemental instruction?

Answer: The purpose of Title I is to meet the special educational needs of disadvantaged children and, specifically, to help them learn at a rate appropriate for their age. Under the current Title I statute, it is the local school district's responsibility to determine how best to do this. Under some circumstances and with some children, additional attention and instruction in the regular classroom may be appropriate. For other children, regular classroom instruction plus additional attention in a special setting may be best. For still others, all basic skills instruction should take place outside the regular classroom.

Research results indicate that participants in Title I reading programs across the Nation average nearly two hours more reading instruction per week than non-Title I students. The same study reported similar findings for mathematics programs. These figures may, in fact, understate the additional attention Title I students receive since they do not take into account the intensity of the instruction. There is reason to believe that Title I instruction generally involves smaller groups of children than the ordinary classroom and, therefore, an hour of Title I instruction may, in effect, provide more to participants than an hour of regular classtime. In short, it is clear that Title I overall does provide additional services to participating children.

MAINTENANCE OF EFFORT

Question: Are any States, especially those which have recently adopted spending limitation referenda experiencing difficulty meeting the Title I maintenance of effort requirements?

Answer: Indications are that school districts in California are experiencing difficulty meeting the maintenance of effort requirement largely as a result of Proposition 13's passage. There are also signs that school districts in other States where economic conditions have recently worsened will also have problems in the next few years. The same is probably true of local educational agencies in Massachusetts as a result of Proposition 2 1/2.

Question: If so, what is being done to respond to their funding problems?

Answer: The current statute allows the Secretary to grant one-year waivers of the maintenance of effort requirements, if the school district makes a request and certain conditions are met. The Department, however, has and will grant waivers where appropriate. Otherwise the current statute is rather strict and has most recently been interpreted as giving the Department little discretion to change or loosen the maintenance of effort requirement. Nevertheless, the Department has under study a variety of proposals to ease the problem.

PARTICIPATION RATES

Question: What percentage of K-8 students receive Title I services in eligible districts?

Answer: State reports and research studies indicate that 95 percent of all Title I participants are in grades kindergarten thru eight. Since the Department has not required districts to report the number of eligible students, that is, educationally disadvantaged children living in eligible attendance areas, there is no conclusive data regarding the overall participation rate. The available evidence suggests, however, that roughly half or perhaps more than half the eligible children in these grades receive Title I services.

Question: What percent of those in grades 9-12 in eligible districts receive Title I services?

Answer: Roughly five percent of all Title I participants are in secondary schools. The available data suggests that they represent less than a fifth of the eligible students in these grades.

COMPARABILITY STUDY

Question: What is the status of the study of alternative means of meeting the Title I comparability requirement?

Answer: The study, mandated by the Education Amendments of 1978 to examine alternative approaches to meeting the Title I comparability requirement, began in 1979. Final data are due to the Department in June of this year and it will submit a report to Congress as required, on or before September 30, 1981.

Question: Have the participating school districts been selected?

Answer: The participating school districts have been selected. After nearly half the districts which must file a comparability report were contacted, 70 requested waivers from the current requirements so that they could demonstrate comparability according to alternatives they considered more workable. The Department granted waivers to a total of 42 such districts.

Question: Which LEAs are they?

Answer: The following school districts are participating in the study:

State	District
Arkansas	Forest Grove
Arizona	Flagstaff
California	Cambnan
	Morgan Hill
Colorado	Sterling
	Widefield
Connecticut	Norwich
Florida	Broward
	Clay
	Dade
	Duval
	Hillsborough
	Monroe
	Pasco
Idaho	Greater Clark
Iowa	Des Moines
	Linn-Mar
	Waterloo
Massachusetts	Lawrence
Michigan	Grand Rapids
	Jackson
	Taylor
Missouri	Ferguson-Florissant
	Kansas City
	North Kansas City
New Jersey	Trenton
New York	Franklin Square
	Pine Bush

North Carolina	Charlotte-Mechlenburg
Ohio	Louisville
Tennessee	Blount
Texas	El Paso
	Fort Worth
	Houston
	Palestine
	Wichita Falls
Virginia	Albemarle
	Richmond
Wisconsin	Marinette
	Racine
District of Columbia	

Also involved are several school districts in the State of Washington. This part of the study is being conducted in cooperation with the State education agency.

Question: Will they use alternative comparability criteria selected by the Department of Education, or will the LEAs be allowed to develop their own criteria?

Answer: The participating districts developed the alternatives themselves, although they often requested assistance from the Department or from the contractor conducting the study for the Department. In addition, the State Title I coordinators have contributed to the study's findings through participation in one of four regional conferences. Staff representing all members of the Council of Great City Schools have also participated.

Question: Is this study likely to lead to a reduction of the reporting and administrative burdens on school districts?

Answer: Reducing the reporting burden is one of the primary goals of the various alternative methods and is therefore, a major focus of the study. The Department will report to the Congress on, among other things, the degree to which the various alternatives reduced the paperwork burden on participating districts.

NONPUBLIC SCHOOLS

Question: The Title I authorizing legislation provides for equitable provision of services to disadvantaged children attending nonpublic schools. However, it is has been reported that fewer than one half of Title I recipient school districts that contain nonpublic school pupils provide services to them. Why is the rate of nonpublic school children participation so low?

Answer: Under current procedures, local educational agencies report the number of private school children participating in the Title I program. Over the past few years, private school children have constituted four percent of the children receiving Title I services. But local school districts generally do not report the total number of eligible children, in public or nonpublic schools. The Department, therefore, does not have the data necessary to assess whether the participation rate for nonpublic school children is unduly low. The Department currently has a study underway which is designed to provide this and other data about nonpublic school participation. Final study results are expected by summer 1982.

Question: What is being done to raise nonpublic school participation in the Title I program?

Answer: The Department of Education has employed several methods to raise the participation of nonpublic school children in the Title I program. It requires each State to submit a monitoring and enforcement plan which specifies the manner in which the State will enforce the requirement for the participation of private school children. The Department monitors services to nonpublic school children during its annual program reviews. Department staff visit participating nonpublic schools to ensure that services are being provided to eligible children on an equitable basis. Local educational agencies are also required to keep on file documentation demonstrating all nonpublic schools enrolling children who live in Title I eligible attendance areas have been contacted regarding participation in Title I programs. The Department has provided technical assistance to several States to facilitate services to nonpublic school children. The Department was, for example, able to assist Wisconsin overcome strictures contained in State law which threatened to bar nonpublic school participation. In two States, Missouri and Virginia, the Secretary has invoked the provision in the authorizing statute permitting the Department to by-pass local school districts and provide services through other means when State law prevents local educational agencies from providing comparable services to eligible children enrolled in nonpublic schools. Before the Department invoked the by-pass provision, services to nonpublic school children in these areas had been provided only before and after normal school hours and on Saturday. Since the Department took action, the participation of nonpublic school children has increased significantly in these States.

TITLE I ADMINISTRATIVE COSTS

Question: What is the cost of administering Title I programs at the Federal, State and local levels?

Answer: A 1977 study indicated that roughly four percent of Title I Basic Grant dollars paid for administration at the local level, that is, for the salaries and equipment used by Title I coordinators and their staffs. Another three percent went for miscellaneous expenses and might readily be classified as additional administrative expenses. The study did show, however, that the range of administrative expenditures for individual Title I districts was quite large. Many districts did not charge any administrative expenses to Title I, whereas, in others, such expenses could constitute up to 29 percent of the Title I budget. If one assumes, however, that the seven percent estimate could be applied to the 1980 appropriation, it would cost roughly $184,000,000 for administration at the local level.

Comparable data for the three State Agency programs is not available. But partial data for the Migrant program indicate that ten percent of program dollars may go for administration. If one assumes that this figure applies to all three State Agency programs, it would have cost $42,000,000 in school year 1980-81 for administering these programs.

The statute allows States to spend on administration up to one and one-half percent of the total allocated to them or no less than $225,000 ($50,000 in the case of Guam, American Samoa, the

Virgin Islands, the Northern Mariana Islands and the Trust Territory of the Pacific Islands). In 1980, $48,318,628 was distributed to the States and Outlying Areas for this purpose.

The salaries and other expenses for the units within the Department of Education responsible for administrering the Title I programs cost approximately $3,783,000 in fiscal year 1980.

In total, based on the assumptions described above, administration of Title I cost $278,101,628 in fiscal year 1980.

Question: What portion of the Title I allocation does the total of these programs represent?

Answer: Administrative costs, as calculated above, represented the equivalent of 8.6 percent of the fiscal year 1980 appropriation for Title I.

Question: Which program requirements necessitate the greatest administrative expenditures?

Answer: Nearly all of the administrative costs at the local level are for planning, evaluation, and supervision. The activities involved include selection of areas and children for projects, development of project designs, supervision of projects and carrying out evaluations. Some local educational agencies may from time to time incur additional costs to meet the comparability requirement.

At the State level, monitoring and enforcement activities plus audits probably constitute the bulk of the administrative costs.

TITLE I HANDICAPPED PROGRAMS

Question: How many handicapped children are currently being served through the Title I State Handicapped Program?

Answer: In school year 1979-80, the average daily attendance in the State-supported and State-operated institutions which participate in this program was 233,174. The Department believes that this is a fair approximation of the number of children currently receiving services. During school year 1980-81, the number is expected to increase to roughly 245,000.

Question: How may handicapped children would you estimate are in residential public institutions, but not receiving these funds?

Answer: The Department has no current data regarding the number of handicapped children in residential public institutions, but not receiving Title I services funded through the Title I Handicapped program. To the extent that any such children exist, one of the following reasons would apply. First, all the children's needs are met through the expenditure of State and local funds and there is no need to spend Title I dollars for additional services. Second, if an otherwise eligible child was not counted on October 1, the date on which eligibility is determined, that child may participate in a Title I program only if space is available and if all children who were counted are receiving appropriate services.

Question: How much of the Title I funds going to handicapped in state supported schools are used for vocational training?

Answer: The Department does not have any current data regarding the amount of Title I Handicapped funds devoted to vocational training. A 1979 study indicated, however, that 41 percent of the children enrolled in the institutions supported by Title I Handicapped funds received instruction in pre-vocational or vocational subjects. The same study revealed that 71 percent of those enrolled received instruction in academic subjects; 75 percent in basic life support skills; and more than 90 percent in physical education.

TITLE I NEGLECTED AND DELINQUENT

Question: A recent study of the Title I State Agency program for neglected and delinquent children found little that was encouraging. It stated that the typical participant received approximately one hour per week of Title I supplementary reading instruction and that Title I participants made no gain beyond those of comparable non-participants. What is the justification for the continuation of funding for this program?

Answer: Neglected and delinquent youth confined in State institutions generally have a poor grasp of basic educational skills. Those selected for Title I programs are still more disadvantaged, with the average 16 year old performing at the level of the fourth or fifth grade. Clearly, these are students who need compensatory education services.

Question: Has there been any positive impact on learning as a result?

Answer: The recent study "National Evaluation of Title I Programs for Neglected and Delinquent Youth in State Institutions" found little or no overall increase in educational achievement over a 12 week period. The national study's findings may understate the students' achievement gains, however, because of the short time involved. Tests may not be sensitive to gains made over a short term, yet most institutionalized youth participate in Title I programs for periods ranging from a few weeks to a few months.

Nevertheless, the study revealed that some institutions were effective in producing gains in reading and mathematics. It was possible, as well, to identify some successful practices. The instutionalized students receiving the greatest instuctional time made the greatest gains, a finding parallel to other research on effective school practices. Other Title I practices were identified as effective including active teaching, instruction in small groups and individualized instruction tailored to a student's need.

Overall, these findings indicate that it is possible to identify and disseminate effective Title I practices and in this way meet the needs of institutionalized children. As a followup to the study, the Department will expand technical assistance to these institutions to improve implementation of neglected and delinquent projects. The Department also plans to encourage greater coordination among community service organizations and the State institutions to facilitate students' transition to normal life.

Question: To what extent are eligible youghs in adult correctional facilities receiving Title I funds compared with those in non-correctional facitilities?

Answer: The national study recently released and reports filed by the States indicate that 34 percent of eligible youth in adult correctional facilities receive Title I services compared with 65 percent in institutions for delinquent youth and 72 percent in facilities for neglected children. One explanation for the lower participation rate may be the more recent establishment of Title I programs in adult facilities. It was only in 1973 that youth residing in such instutions became eligible for Title I services; the national study reflects 1976 data. The Department believes that the participation rate in adult correctional facilities may have increased significantly since then.

Question: The report went on to say that there is a tendency in some residential programs to treat Title I as an elective which is frequently cancelled for other activities. What guarantees are there that Title I services are being offered?

Answer: Current program administration incorporates several elements designed to ensure proper implementation of Title I programs. State educational agencies must develop a monitoring and enforcement plan for projects funded through Title I. Under these plans State agencies must conduct on-site reviews of projects at least once every three years and the Department conducts its own reviews of selected projects each year. Both the States and the Department review data submitted by the institutions each year and provide technical assistance to facilitate program improvement and compliance with statutory and regulatory requirements.

Periodically the Department funds evaluation studies such as the one referred to, which can provide a deeper and more penetrating understanding of a program's workings and effectiveness. With study results in hand, the Department is normally in a position to significantly improve a program's operations.

Question: What estimates do you have about the amount of wasted funds going into Title I programs that are cancelled or underutilized?

Answer: The study did not attempt to put a dollar figure on any deficiences it revealed. The intent was instead to understand how Title I programs operate in these institutional settings. It is now clear that additional work is required to graft a Title I program onto many institutions' basic procedures. The study has suggested ways in which this may be accomplished and the Department expects that it and the Senate agencies will be able to cooperate to bring this about.

TITLE I - MIGRANT "HOLD HARMLESS" PROVISION

Question: By law beginning in fiscal year 1983, the minimum State grant level for the migratory program will fall from 100%

to 85% of the previous year's allocation. What, if any, States are likely to lose funds as a result of this change?

Answer: From the 1980 appropriation for the Title I Migrant program, the following States received additional funds because of the provision which guarantees each State at least the same amount as it received in the prior year: Maryland, Montana, North Dakota, Ohio, South Carolina, Virginia, West Virginia and Wyoming.

Had the statutory formula been relied upon to distribute the funds appropriated, these States would have received smaller sums because their shares of the migrant student population have declined. It is likely that these same States will be affected when the "hold harmless" level becomes 85 percent rather than 100 percent.

Question: How are you implementing the provision for adjustment of migratory child counts for the additional costs of summer programs?

Answer: The statute directs that the Department adjust the counts of migrant students used in the allocation formula in order to compensate States for the increased costs of conducting summer school programs. The chief obstacle to implementing this provision in an entirely satisfactory manner is the lack of reliable data on the costs of summer programs. When allocating the fiscal year 1980 appropriation (for school year 1980-81), the Department had no such data. Therefore, the Department adjusted State authorizations according to the full-time equivalent number of students reported as attending summer programs, assuming, in effect, that for all States, summer programs cost twice as much as the normal program. Since then, the Department has collected additional cost data from the States regarding programs conducted during the summer of 1980. It is not clear whether this data will be sufficient to support an adjustment on a basis other than that used for the fiscal year 1980 appropriation. The Department is continuing to analyze the data and will make a determination shortly.

MIGRANT STUDENT RECORD TRANSFER SYSTEM

Question: The Carter budget requests $3.2 million for the Migrant Student Record Transfer System, $1.5 million less than the amount appropriated for fiscal 1981. How did the Department arrive at this figure?

Answer: The Department's original budget request for fiscal year 1982 included $3.2 million for the Migrant Student Record Transfer System, the same amount included in funds made available under the second continuing resolution for fiscal year 1981 and in the fiscal year 1980 appropriation. The Department's fiscal year 1982 request assumed that the Migrant Student Record Transfer System would maintain approximately the same level of activity as in prior years and that, to do so, the System would require approximately the same level of funding.

TITLE I MIGRANT FORMULA

Question: To what extent are children who were formerly but not currently migratory counted for purposes of allocation under this program:

Answer: For distribution of the fiscal year 1980 appropriation, 186,565 full-time equivalent migrant children, or 47 percent of the total, represented formerly migrant children.

Question: Why should formerly migrant children be given equal weight with currently migrant children for purposes of allocation of funds under this program?

Answer: Children of migrant workers who have recently settled and intend to remain settled or who have settled temporarily suffer the same educational problems as children of workers who are still migrating. The interrupted nature of their education is, of course, the principal difficulty. The Title I Migrant formula seeks to direct funds to these needs by counting such children. By limiting the count to children who have settled within the past five years, the statute seeks to limit covereage to those who can reasonably be said to face the same difficulties.

Question: How can this be justified in light of budgetary constraints?

Answer: The Department has chosen, when faced with constraints on fiscal resources, not to seek adjustments in the migrant formula because the Department believes that it properly reflects the needs and distribution of migrant children. Instead, the Department has proposed for 1981 and earlier years, a limit on the funds appropriated for this and the other Title I State Agency programs. The Department's goal has been to achieve some balance between these programs and the Title I grants to local school districts.

FOLLOW THROUGH

Question: Why should the Follow Through program be funded when comparable compensatory education program like Title I provide significant funds for such purposes?

Answer: The Follow Through program differs from other compensatory education programs like Title I ESEA. Follow Through provides a comprehensive service (educational, social health, nutritional) program to K-3 disadvantaged children for the purpose of developing these children to their full potential while Title I emphasizes selected, supplementary educational services to educationally disadvantaged students, K-12, to improve low skill and performance levels. In addition, Follow Through develops and demonstrates effective service models for economically disadvantaged children, their parents and their school systems, and provides knowledge about what types of services are effective, under what conditions. The "full potential" purpose, knowledge production and comprehensive service delivery make Follow Through different from other compensatory education programs. Therefore, continued and seperate funding for Follow Through can be justified.

Question: What services are available to disadvantaged students through Follow Through funding which are unique to that program?

Answer: The provision of comprehensive educational, social, health, and nutritional services for low-income children in a single setting for kindergarten through third grade children makes Follow Through unique.

Question: To what extent could these services be provided through Title I by expanding allowable uses for Title I in its reauthorization which is being considered this year?

Answer: The differences in focus between Follow Through and Title I are based upon the purposes, the target populations and the nature of the services that are provided.

Title I provides supplemental educational services to students in grades K-12 to improve low skill and performance levels, while Follow Through provides comprehensive services, in addition to instruction, to disadvantaged students in grades K-3 to develop them to their full potential. The Follow Through program also develops and demonstrates new approaches for developing disadvantaged students.

If reauthorization of Title I included the "Follow Through" comprehensive services and knowledge production components then the extent of services would depend on the budget resources provided and the number of children to be served.

Question: What advantages are there in funding two separate compensatory education programs like Title I in ESEA and Follow Through?

Answer: The advantage of funding separate programs is that Follow Through provides alternative development strategies to the supplementary educational service strategy of Title I. The two programs provide both the potential advantages of competition and cooperation in producing cost-effective outcomes in disadvantaged students.

Question: What portion of Follow Through program participants also receive services under Title I?

Answer: The Department does not have specific information to answer this question. However, there is a general regulatory provision which requires all Department of Education grantees to use funds in a manner so as not to duplicate or counteract the effects of funds made available under other programs.

Question: Can you explain why the estimated average per pupil expenditure for Follow Through is approximately 25 percent higher than that estimated for Title I?

Answer: In the fiscal year 1982 request the per participant cost for Follow Through is estimated at $632 and for Title I Basic Grants to local education agencies, $577. The difference in the per participant costs for the two programs is $55, or 9 percent. The Follow Through per participant cost includes additional costs for other support services, such as Resource Centers and sponsor awards which indirectly benefit a larger student population.

Question: What percent of children in Follow Through programs were products of preschool Head Start programs?

Answer: Follow Through regulations require that at least 50 percent of the participants must have had Head Start or similar previous preschool experience.

HIGH SCHOOL EQUIVALENCY PROGRAM

Question: What is the estimated fiscal year 1981 average per pupil expenditure under the High School Equivalency Program (HEP) and how many migrant students are actually benefitting from this expenditure?

Answer: The fiscal year 1981 appropriation for the High School Equivalency Program will serve roughly 2,200 students at a cost of approximately $2,885 per participant.

Question: How do these fiscal year 1981 expenditure and participant statistics compare with those projected under the Carter fiscal year 1982 budget request?

Answer: The Department's original budget request for fiscal year 1982 assumed essentially the same number of participants and the same cost per student.

Question: What is the nature of the educational services purchased under the High School Equivalency Program?

Answer: Participants in the High School Equivalency Program attend at least 30 hours of class a week in the subjects covered by the General Education Development examination and receive whatever additional tutoring is required. They receive career and personal counseling, as well as placement assistance, as needed. Participating migrant students live on a college or university campus. They receive room and board and a stipend for personal expenses and can use the institution's cultural, recreational, health and other facilities.

Question: What information exists concerning the longterm social or economic benefits that successfully completing the High School Equivalency Program has for migrant students?

Answer: A 1979 study indicated that 40 percent of that year's graduates from the High School Equivalency Program had obtained jobs and another 38 percent had entered college or another training program. The study also compiled data which suggested that this group had a far better chance of obtaining a job or further education than similar migrant students who had participated in the program. There is a considerable body of evidence that relates a high school diploma to employability prospects and the level of future earnings. These, in turn, are related to a wide variety of other social and economic benefits.

Question: Do HEP graduates tend to obtain permanent employment more often than migrant students who have no diploma?

Answer: There is no longitudinal data for High School Equivalency Program graduates, nor has there been any successful attempt to measure graduates' success against some control group of similar non-participants. But graduates do have a high success rate in obtaining jobs or further education, far greater than one would expect for similar students with no high school diploma. Limited data exists which indicates that migrant high school dropouts who do not participate in the program have considerably less success in these areas.

Question: How do the college attendance and college completion rates for HEP graduates compare with those of non-HEP high school graduates who attend college?

Answer: A 1979 study demonstrated that 38 percent of all HEP graduates entered college or some other training program. None of the agencies which have administered HEP have attempted a longitudinal study of graduates and, therefore, nothing is known of their college completion rate. Nationwide, roughly half of each year's high school graduates enter college and roughly half of those complete college.

Question: To what extent are activities funded under the High School Equivalency Program conducted with those under the Title I State Migrant programs?

Answer: A single office within the Department of Education is now responsible for both the Title I Migrant program and the High School Equivalency Program. Under the Title I statute, States are responsible for coordinating all activities within the State for migrant students. At present, however, the two programs are largely separate. The High School Equivalency Program operates at 14 sites through a like number of colleges and universities; the Title I program relies upon the States to arrange services for migrant students, usually through arrangements with local educational agencies. The long term purpose of bringing the two programs within the same Federal agency and administrative unit is, in fact, to increase coordination and program effectiveness and to work towards a full continuum of services for migrant students.

COLLEGE ASSISTANCE MIGRANT PROGRAM

Question: What is the estimated fiscal year 1981 average per pupil expenditure under the College Assistance Migrant Program?

Answer: It is anticipated that the College Assistance Migrant Program will spend, from the fiscal year 1981 appropriation, approximately $1,790 per pupil and will serve roughly 675 students. These figures are consistent with the program's experience over the last several years.

Question: How do these fiscal year 1981 expenditure and participation figures compare with those estimated for fiscal year 1982?

Answer: The Department expects that the College Assistance Migrant Program will serve roughly the same number of students during fiscal year 1981 as during the prior year and at approximately the same cost per participant.

Question: What specific services are provided which are not duplicated in other Department of Education programs especially Special Programs for the Disadvantaged (TRIO) in Higher Education?

Answer: The College Assistance Program (CAMP) and the Special Services for Disadvantaged Students share similar goals, assisting disadvantaged students complete postsecondary education. The Special Services program, however, relies heavily on tutoring and counseling; the College Assistance Migrant program adds to these services tuition scholarships and a stipend for personal expenses. CAMP is a residential program; the Special Services program has no residential component. CAMP covers only the first year of college; Special Services can assist students throughout their postsecondary education. Most important, CAMP is focused on a specific population, migrant students, who have historically had great difficulty gaining access to and completing postsecondary education.

Question: Why should the Federal government provide college assistance for migrant students?

Answer: The Federal government has assumed responsibility for providing or easing access to postsecondary education for large segments of the student population through loans, grants and other specialized programs. For many students, financial assistance is sufficient; for others, particularly disadvantaged students, other services are required. Special tutoring and counseling, for example, are often necessary to aid disadvantaged students make the transition to postsecondary education. Migrant students, besides being economically disadvantaged, usually encounter considerable difficulty completing their education as their families move across the country. At the same time, education beyond the high school level is increasingly necessary to obtain meaningful employment. It is, therefore, appropriate that the Federal government take special steps to aid migrant students begin and complete a course of postsecondary education. To do otherwise would, in many cases, be to bar them from productive lives.

TITLE I EVALUATION

Question: How much will be spent in fiscal year 1981 in evaluation and studies for Title I?

Answer: The second Continuing Resolution for fiscal year 1981 makes a total of $10 million available for evaluation of Title I.

Question: After 16 years of this program, what evidence is there that there is lasting or sustained improvement in academic performance on students who receive Title I services beyond a single school year?

Answer: Several studies conducted to date indicate that children participating in Title I programs for a year gain more than a month's achievement for each month's instruction and that they at least keep pace with their more advantaged peers rather than falling further behind as would normally be the case. The Department has under way a study designed to look at achievement gains over longer periods of time. The final results are expected by summer 1981.

Question: Of the funds requested for Title I evaluations and studies, how much will be used for Federally administered evaluations as opposed to technical assistance to States conducting their own evaluations?

Answer: Of the $12,750,000 requested for Title I evaluation in fiscal year 1982, $10,000,000 will support ten regional technical assistance centers which will help State and local educational agencies conduct and interpret their own evaluations. Another $2,000,000 will fund other technical assistance activities. The remaining $750,000 will pay for studies conducted on a national basis.

Question: Absent any conclusive evidence of the benefits of Title I over the long range, isn't this program primarily an employment program for teachers and administrators?

Answer: There is considerable data demonstrating that compensatory education of the sort supported by Title I can be effective and that educationally disadvantaged children can make greater than expected gains in achievement while in such programs. It is important to keep in mind, however, that not all educational benefits can be measured in a meaningful way and that, even where measurement is possible, it is often quite difficult. It would seriously underestimate the complexity of the educational process to reduce all value or worth to numerical scores or indices.

CENSUS DATA

Question: To what extent do you expect a significant redistribution in Title I allocation as a result of using 1980 Census data instead of 1970 data?

Answer: From all indications, it appears that use of 1980 Census data would have a profound impact on Title I allocations. These data are not yet available, but preliminary reports appear to reveal significant shifts in the geographic distribution of population. To these early reports one can add the results of the Survey of Income and Education conducted in 1975 at the Congress' direction. It indicated an overall redistribution of children from low-income families which would direct additional Title I dollars to the northeastern, north central and western States and fewer dollars to the southeastern and south central States. It is probably safe to assume that the 1980 Census will produce similar changes, of perhaps greater magnitude.

IMPROVING LOCAL EDUCATIONAL PRACTICE (TITLE IV-C, ESEA)

Question: Is support of the innovation process, such as Title IV-C, without discernable ends or goals, a worthwhile use of Federal funds?

Answer: Yes, Title IV-C projects appear to be the most important use of Federal funds for supporting innovative problem-solving at the local educational agency (LEA) level. For example: 76 percent of all 1978/79 adoptions of National Diffusion Network (NDN) projects were paid for with IV-C funds; and 42 percent of all exemplary projects approved by the Joint Dissemination and Review Panel were developed with IV-C funds.

Congress, in enacting ESEA Title IV-C, specifically provided a program of grant funds which could be used by LEAs according to their respective problems, provided those problems were within the overall authorized purposes. This is one of the strengths of Title IV-C, as stated in the new Rand Study entitled "Program Consolidation and the State Role in ESEA IV." The study found that: "The Title IV program is a universally popular Federal funding strategy and is running smoothly at State and local levels. A strength of the program lies in its flexibility. The essentially discretionary nature of Title IV enables staff to tailor project activities to meet their needs and elicits a high level of commitment, enthusiasm and creativity. As a result, project activities are often more relevant to local concerns. Furthermore, local staff are willing to spend significant amounts of time and energy when they feel the project is 'theirs'. Consequently, small IV-B and IV-C grants can have a very high marginal return and often leverage more substantial change than heavily funded categorical efforts...."

Question: What specific Federal goals are attained by funding Federal programs to stimulate innovation?

Answer: The following Federal goals are served by funding these programs: improving the quality of education for the handicapped (14 percent of the projects funded in the 1979-80 school year served this target group); improving the teaching of basic skills (35 percent of the projects funded in the 1979-80 school year served this target group); education innovation for the gifted and talented (11 percent of the projects funded in the 1979-80 school year served this target group); and development of new curricula and materials (19 percent of the projects funded in the 1979-80 school year were so directed).

Also, the innovative process is not confined to developing solutions to educational problems. Replication of successful solutions is equally important; it is the "pay-off" of dollars invested in development. Data from 44 States for the 1980-81 school year shows that of the total number of projects supported, 1300 are developmental and 1630 are adoptions or replications.

Question: What specific educational gains can be cited in children participating in Title IV-C projects?

Answer: Following are three examples of specific educational gains made by children participating in Title IV-C projects (The examples are drawn from evaluated results which have been reviewed and accepted by the Department of Education's Joint Dissemination Review Panel): 1) PEGASUS Personalized Growth and Achievement; Selective Utilization of Staff; Princeton, Illinois -- Objective: Given seven months in the PEGASUS program, target students in grades two through nine will increase at a greater rate than a similar control group of students in vocabulary and comprehensive skills as measured by the Gates - Mac Ginitie sub - tests B, C, D, and E.; 2) Developing Models for Special Education; Monticello, Florida -- Objective: Implementation of this identification and intervention model will result in at least 80 percent of the exceptional students identified and placed, mastering at least 80 percent of the objectives prescribed for an evaluation period; and 3) MARC-Multisensory approach to Reading and Reading Readiness; Crawfordville, Florida --Objective: Target kindergarten students who have participated one year will demonstrate statistically significant differences, relative to comparison students, in the Letters and Sounds subtest and the Word Reading subtest of the Stanford Early School Achievement Test II; and Targeted first graders who have participated for two years in the project will also demonstrate statistically significant differences relative to comparison students, in the same tests mentioned above. These examples are drawn from a range of projects covering a variety of educational endeavors and grade levels.

Question: To what extent have State and local funds supplanted Federal funds in the Title IV-C program?

Answer: There is no requirement in ESEA Title IV which prohibits Federal funds from supplanting State and local funds. However, according to the 1980 Rand Title IV evaluation study, 66 percent of the projects funded continue after Federal funding ceases. In addition several States have also addressed this question. For example, Illinois surveyed school districts who have received IV-C adoption grants to see how many projects were continuing at the end of Federal funding. The continuation rates for projects adopted in school years 1975/76 and 1976/77 after 2 years were 83.6 and 60.0 percent respectively; and after 3 years were 69.1 and 58.8 percent respectively. The report states that the evaluator was not comfortable with the fourth year rates because as time passes, project activities become part of the regular educational fiber and are no longer identified with a Federal project.

Kansas published a study in July 1979 which examined the continuation rates of IV-C projects. The study was conducted in two parts; twelve LEAs were visited and 407 LEAs responded to a mail questionnaire. Results of the on-site visits show that 6 projects are continuing all project activities and 2 projects are expanding the activities to serve more students; only 2 projects had less than 50 percent carry-on of activities. Results of the mailed questionnaire shows that 25 percent of the principals who responded are implementing concepts from past Title IV-C projects. As with Illinois, One difficulty with this information is that. As with Illinois, many principals might not recognize certain "regular" practices as having been introduced under Title IV-C.

Question: What negative effects would result from including this program in a major consolidation effort?

Answer: We do not have sufficient information at this time about the consolidation effort to provide a definite answer to this question.

Question: To what extent are programs directed toward gifted and talented children being supported by Title IV-C funds?

Answer: Based on lists of projects operating this school year (1980-81) from 44 States, 294 projects are serving gifted and talented students at a cost of $6.58 million. Every State supports projects to serve this group of students. However, it should also be noted that the Department of Education's discretionary grant program for the education of gifted and talented students spent $6.28 million nationally during a similar time period. In effect the IV-C program, whose projects reflect the priorities of State and local educational agencies, has doubled the effort to provide appropriate, stimulating activities for these students.

These projects often have spinoff effects for the total school population; activities developed to serve the gifted are subsequently modified and adopted for other students. A recent example of this phenomenon was the introduction of the study of mathematical concepts, properties, and logic for gifted students in the early 1960's. Now most students in the primary grades are so instructed.

Question: What sort of projects are being supported under the Title IV-C, 15 percent set-aside for education of the handicapped?

Answer: Based on lists of projects operating this school year (1980-81) from 44 States, it appears that 597 projects are specifically targeted at handicapped students. They span the entire range of curriculum areas, ranging from art to math to social studies and physical education. In addition, it should be noted that many projects not targeted at these students but rather at the general student population, also involve a large number of handicapped students who are mainstreamed into regular classrooms for their education.

Question: How much duplication is there with projects funded under the Education for All Handicapped Children Act (P.L. 94-142)?

Answer: The Innovation and Development program funded under P.L. 94-142 is concentrated primarily on early childhood programs for the handicapped, and programs for the severely handicapped. ESEA IV-C, funds are not so targeted. To assure that there is not duplication, State education agencies (SEAs) must utilize their special education staffs in the review of applications to be funded under the 15 percent set-aside of ESEA IV-C funds for the handicapped. Also, the use of ESEA IV-C funds for handicapped children helps to foster coordination between regular school programs and handicapped programs.

STRENGTHENING STATE AGENCY MANAGMENT (TITLE V-B, ESEA)

Question: For how much longer can we justify continued Federal subsidies in this area?

Answer: As long as there is a continuing national concern for education and a Federal role in assisting in improving the equality and quality of educational opportunity, activities to strengthen the Federal/State partnership can be justified. The range and scope of responsibilities entrusted to State educational agencies have grown during the past decade.

For example, as a result of Federal initiatives, information resource management has grown into a major functional responsibility of State agencies. States must respond to demands for larger amounts of vocational education data, surveys of information on handicapped individuals, civil rights data, safe schools data, architectural barriers surveys, asbestos detection surveys, statewide testing and analysis, and the requirement that all Federal programs identify and disseminate information on successful educational practices.

Qustion: By now aren't State education agencies' management skills sufficiently developed?

Answer: Although the name of ESEA Title V, Part B is "Strengthening State Educational Agency Management," the use of the term "management" in the title can be misleading. It implies that funds are only for the purpose of improving the agency's management skills.

The statutory purpose as stated in section 521 of Title V, Part B of the Elementary and Secondary Education Act is ... "to strengthen the educational leadership resources of that agency and to assist that agency in identifying and meeting the critical educational needs of the State...."

To illustrate the nature of State programs being pursued for the purpose of exercising State leadership in education or in meeting the critical educational needs in the State, funds are used for: improving methods of assessing educational needs on a statewide basis and to improve large scale statewide program evaluations; developing methods for validating successful educational practices, and disseminating this information to local districts; improving educational accountability through the development of competency based promotion requirements and the implementation of statewide testing programs; and developing statewide curriculum guides in educational areas such as basic skills, art, metric, environmental, energy conservation, nutrition, and other areas needing current emphasis.

The Carter budget request assumes that there is a need for the broader kinds of activities described above.

Question: What steps does the Department take to monitor the use of these funds?

Answer: Three basic functions are performed by the Department to monitor the use of these funds. 1) State plan requirements -- as required by section 522 of the Act, each State submits a State plan, which sets forth in such detail as the Secretary prescribes, the purposes for which funds provided will be used. Each plan includes (a) a statement of need, (b) the way the activity will result in strengthening the State's educational leadership resources, or assist in identifying and meeting the critical educational needs of the State, (c) a listing of the outcomes or accomplishments expected, and (d) the funds allocated to the activity. 2) On-site Monitoring -- staff from the Department make on-site visits to State educational agencies to: (a) certify that the funds are used in accordance with the approved State plan and regulations, (b) determine what processes are used within the State educational agency to assess the educational needs of the State, and (c) render a written report of findings and recommendations to the State educational agency for program improvements or compliance. Staff also arrange for comprehensive managment reviews of State education agency functions and services to local districts, State boards, Governor's offices, and the

State legislature. 3) Financial Status and Performance Reports -- the Department requires each State to file annually a financial status report and a performance report within 90 days after the close of the grant year. These reports contain financial obligations incurred for each activity funded in the State plan and actual accomplishments, products developed, and the extent to which the educational need has been satisfied for each activity funded.

Question: Do any States use these funds to pay salaries of State educational administrators?

Answer: Yes, but States cannot simply use funds to pay salaries of State educational administrators. A State must in accordance with section 522 of ESEA Title V, Part B, submit to the Department a State plan which includes statements of need, a description of activities to be carried out to meet the need, and the accomplishments expected. Salaries related to carrying out these plans are, of course, paid.

Question: How have States used these funds to improve administration of their elementary and secondary education programs?

Answer: The following are examples illustrating some of the improved administrative purposes to which these funds have been applied: In Pennsylvania a project to provide training for school districts and State personnel to update skills and knowledge is underway. In 1980 over 200 local district administrators attended 31 executive academies to update school management competence; and approximately 18,000 classroom teachers have successfully completed inservice education programs coordinated by the State education department. New York conducts an annual statewide assessment of pupil progress. In 1980, New York tested the reading and mathematical skills of over 540,000 pupils in over 4,000 public and non-public schools in grades 3 and 6; and regents examinations were completed by 600,000 students in 21 high school subjects. Test results are used to provide data for distribution of State categorical aid; to develop standards for mandated remedial instruction; and for school achievement comarisons and development of improved instruction. California provides management review surveys of school districts. In 1980 the SEA conducted management studies of 28 school districts and made 894 recommendations. About 90 percent were implemented. To date over $1.5 million in savings have been documented.

Question: Did such States cease to receive Federal funds after improvements were made?

Answer: No, the ESEA Title V-B program is an entitlement formula grant program to each State desiring to participate, providing the State plan requirements are met. Funds appropriated may not be withheld unless there has been a substantial failure of the State to meet the purposes of the Act.

CAREER EDUCATION

Question: How do the objectives of the Career Education program differ from standard Vocational Education objectives?

Answer: A summary of major differences between the objectives of career education, contrasted with objectives of vocational education, can be seen in the following chart:

Objective	Career Education (CE) vs. Vocational Education (VE)
1. Kinds of skills to be delivered to students.	1. CE - 10 general employability/adaptability/promotability skills needed in all work. VE - Specific vocational skills required for entry into specific occupation.
2. Population to be served	2. CE - ALL students - K through adult VE - SOME students primarily secondary, postsecondary subbacularate, and adult
3. Major delivery strategy	3. CE - Infusion into all existing courses and curricula VE - A separate instuctional program added to all other curricula
4. Use of community resources	4. CE - Active "partners" in delivering career ed skills VE - Primarily serve in an advisory capacity
5. Work experience objectives	5. CE - To help students explore possible careers and career interests VE - To supplement specific vocational skills taught in classrooms
6. Breadth of emphasis on work	6. CE - Both paid and unpaid work VE - Paid employment
7. Involvement of community resources	7. CE - Private sector employers, community service and volunteer organizations VE - private and public sector employers
8. General goal	8. CE - To help students acquire skills necessary to change with change in occupations and the broader society VE - To help students acquire skills that will allow them to gain initial entry into occupations

Question: How much better prepared for careers are students who are exposed to career education programs compared with students who have not been exposed to such programs?

Answer: The evidence compiled by the American Institute of Research is clearly positive, but not overwhelmingly conclusive, that students exposed to career education are better prepared than are students not exposed to career education. It seems safe to say that career education can but not always does, better prepare pupils for careers. Evidence is most convincing, when students provided career education are contrasted with students not provided career education, that career education can provide the following skills: meaningful work values, student self understanding, understanding of educational and occupational opportunities, career decision-making, and overcoming bias and stereotyping in career choices. This evidence also suggests that career education can provide students with skills, good work habits, and an understanding and appreciation of the private enterprise system.

Question: What types of evaluation or follow-up programs are there to indicate that this program is having a positive effect on the employability of participants?

Answer: No evaluation or follow-up of the Career Education program has been conducted at this point. However, The American Institute of Research is doing a pilot study to see if the Career Education program can be evaluated. The results of the study should be available by the end of FY 1981. It is expected that if the results are positive, a formal evaluation will be conducted.

Question: To what extent do State and local education agencies continue these programs when Federal funding is terminated?

Answer: It is not yet known whether States will continue their career education efforts when Federal funding is terminated because such terminations have not yet occurred. However, it appears that a substantial majority of local education agencies would continue their career education efforts if Federal funding was terminated. Best estimates, based on data compiled by the American Institute of Research and State reports received in the Department, is that 70 to 80 percent will do so.

Question: To what extent do States and localities supplement these programs with their own funds?

Answer: There is a State/local matching requirement under P.L. 95-207, which in 1980 and 1981 is 75 percent Federal/25 percent State/local; in 1982 the match goes to 50/50; and 75 percent of the funds must be provided at the State/local level in 1983.

The evidence available to date indicate that at least 10 States are supplementing Federal career education funds with State funds, and at least two other States are considering doing so at the present time. In addition, at least 18 States are supplementing State Career Education Coordinators with other funds. To date, approximately 38 percent of funds being used to implement career education are Federal funds received through P.L. 95-207; approximately 37 percent of funds being used to implement career education are local education agency funds earmarked for career education by a local board of education; and the remaining 25 percent of funds being used to implement career education are funds provided by local or state contributions.

TEACHER CENTERS

Question: Why have some States been unable to establish a teacher center?

Answer: Some of the territories (defined as "States" in the Act) have not applied. Eight of the 50 States have not received grants, either because their applications were ranked too low by the panels of non-Federal readers who evaluate them, or because their applications, though highly ranked, fell just below the point where the appropriation ran out. The 1980 amendments require that there will be at least one center project in every "State" from which a proper application is submitted.

Question: What are the specific goals of teacher centers?

Answer: The centers seek, to improve the educational experience for students in public and private elementary and secondary schools by drawing heavily on the skills, wisdom and experience of the teachers themselves, and their potential for helping each other to improve educational practices. The centers are operated by the teachers themselves, through Teacher Center Policy Boards, each with a majority of regular classroom teachers (in addition to school board members, administrators, professors, etc.). The centers' major activities are inservice training, curriculum development, and application of the findings of educational research. The focus is always on solving local problems identified by local communities.

Question: Will the Administration propose to eliminate funding for Teacher Centers?

Answer: No. The Carter Administration recommended a 10 percent increase in FY 1982 funding over FY 1981 levels. The Reagan Administration may propose reductions in FY 1981 funding as part of the economic recovery plan, and will propose that the Teacher Center program be made part of the State Education Block Grant in FY 1982.

Question: Have any comprehensive evaluations been conducted on the long-range benefits of teacher centers?

Answer: No. The program began in 1978 and the first Department financed evaluation is tentatively scheduled for 1982.

Question: What distinct educational needs would not be met if the Teacher Centers funding was eliminated?

Answer: The greatest loss would be the cooperation and involvement of teachers in their own self-improvement. The teacher center concept (drawing on the teachers themselves for school improvement) is also widely used by business and industry to enlist and exploit the expertise of its workers.

Question: What indications do you have that the States and localities would support Teacher centers if Federal funding ended?

Answer: In seven States, California, Florida, Massachusetts, Michigan, Oklahoma, West Virginia, and Wisconsin, the State departments of public instruction have set up State-wide plans for inservice training which incorporate the main concept of Teacher Centers: local control through teacher-majority policy boards. In separate localities (especially those which had very little inservice training before 1978) the Federal center will probably be continued after the 3 years of Federal support. In many other places 3 years of Federal support may not translate into continued support at the State/local level.

VIRGIN ISLANDS (SECTION 1524, ESEA)

Question: Why were no funds requested for General Assistance for the Virgin Islands in Fiscal Year 1982?

Answer: With Secretary Hufstedler's emphasis on compensatory education programs as a priority, the Carter budget request did not permit funding of this program. However, the Virgin Islands do participate in State formula programs and are eligible to apply for discretionary funds.

Question: For what purposes are funds being used in the current fiscal year?

Answer: Funds are being used to fund curriculum centers, library services and instructional materials, special education, remedial education, educational research, and classroom renovations.

Question: What other existing programs in the Department of Education would be able to cover the kinds of needs this program addresses?

Answer: Education for the Handicapped (which contains mandatory set asides for these areas), Basic Skills Improvement, Teacher Corps, Teacher Centers and Bilingual Education cover the kinds of general needs which this program addresses.

Question: Would the Virgin Islands be eligible for a block grant if the Reagan Administration proposals are adopted by the Congress?

Answer: If the Block Grant concept follows the same tradition as existing programs in identifying the Virgin Islands as a State, then the Virgin Islands would be eligible for a Block Grant. However, we do not have sufficient information at this time about the block grant proposals to provide a definite answer to this question.

Office of Bilingual Education and Minority Languages Affairs

STATEMENT OF GILBERT CHAVEZ, ACTING DIRECTOR

ACCOMPANIED BY:

- RUDY MUNIS, ASSOCIATE DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT AND SUPPORT
- DR. RONALD HALL, CHIEF, POLICY COORDINATION AND SERVICES UNIT
- SALLY CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET

SUBCOMMITTEE PROCEDURE

Senator Schmitt. Now we will move on to the bilingual and minority education programs of the Department of Education, Mr. Gilbert Chavez, Acting Director of the Office of Bilingual Education and Minority Language Affairs.

Mr. Chavez, would you introduce your colleagues? I recognize one of them.

[The statement follows:]

STATEMENT OF GILBERT CHAVEZ

The Office of Bilingual Education and Minority Languages Affairs (OBEMLA) operates programs in three areas: Title VII of the Elementary and Secondary Education Act and Bilingual Vocational Training, for which the Department of Education receives a direct appropriation, and education programs funded under the Refugee Act of 1980 for which funds are transferred from the Department of Health and Human Services. All of these programs are directed to the provision of equal educational opportunity for limited English proficient children and adults. Since the inception of the bilingual education program in 1969, the growth in the number of programs throughout the country, for both adults and children, has been considerable. From an initial appropriation of $7.5 million, 70 local projects were funded. Today some 600 local projects are supported, as well as an array of training, demonstration, support services, and research projects. More than 20 States have passed laws mandating bilingual education and have provided, at last count, more than $100 million in State funding for such programs.

The fiscal year 1982 budget request reflects the commitment on the part of the Federal government to help States and local educational agencies to develop the capacity to provide appropriate programs for the limited English proficient. Thus, the Federal role is a catalytic one that recognizes State and local responsibilities in the provision of educational services and recognizes that State and local educational agencies need help in meeting their responsibilities.

The 1982 budget request provides for increased activities in two major program areas while maintaining level services in most others. First, the request for training in the amount of $41.3 million, an increase of about $9 million above the level of the 1981 Continuing Resolution, is in response to the increasing need for strengthening the pool of qualified bilingual education teachers. This need is underscored by the fact that while there were, in 1976, about 34,000 teachers nationwide who were minimally qualified to teach bilingually, there were also about 3.6 million children of limited English proficiency. That works out to a teacher-pupil ratio of about 1 to 107.

The second area of program growth is that of assisting local educational agencies in the development and implementation of projects. In fiscal year 1982, the budget includes an increase of about $14.5 million for grants to school districts to cover increased costs of service and also to support 71 more projects serving over 28,000 additional children over the 1981 level.

To maintain the network of support services to practitioners, we request $20 million, a decrease of $375,000 from the 1981 Continuing Resolution level. These services provide instructional materials to classroom teachers, enable State educational agencies to provide technical support and coordinate services within a State, provide information to the public about bilingual education through the operation of a clearinghouse, and strive to improve educational practices through studies and evaluation.

For bilingual vocational training, we request $6 million, an increase of $1.2 million above the 1981 level. This program is intended to show practitioners effective ways of serving the unemployed, or underemployed, limited English proficient population. The increase of $1.2 million will support additional bilingual employment-related education and training services to out-of-school youth and adults. Finally, we request $10 million for desegregation grants, an increase of $400,000 above the 1981 level. These funds will support 40 grants to help local school districts provide bilingual-bicultural education programs as part of a local desegregation plan.

For all programs in the Office of Bilingual Education and Minority Languages Affairs, regulatory functions are performed only to the extent that program regulations are developed and issued. All administrative costs supporting these functions are funded out of the Departmental Management, Salaries and Expenses account.

I will be glad to answer any questions you might have. Thank you.

NAME : Gilbert J. Chavez

POSITION : Acting Director
Office of Bilingual Education and Minority Languages Affairs

BIRTHPLACE AND DATE : Cottonwood, Arizona - June 12, 1931

EDUCATION : M.A., Arizona State University, 1964
B.A., Arizona State University, 1958

EXPERIENCE :

Present : Acting Director
Office of Bilingual Education and Minority Languages Affairs

4/71-1/81 : Director
Spanish Speaking Program Office
U.S. Office of Education
Department of Health, Education & Welfare

7/70-4/71 : Deputy
Equal Employment Opportunity Officer
U.S. Office of Education
Department of Health, Education & Welfare

6/69-7/70 : Senior Program Officer
Bureau of Adult, Vocational and Technical Education
U.S. Office of Education
Department of Health, Education & Welfare

8/67-6/69 : Executive Director
State-wide Migrant Farm Worker Education Program
Big Bend Community College
Moses Lake, Washington

1960-1967 : School Faculty - Teacher
Lowell Elementary School
Phoenix, Arizona

ADDITIONAL ACTIVITIES : National Advisory Committee for Immigration and Naturalization Services, 1976

Given a KEY to the city of Pontiac, Michigan

Served as co-chairman of DHEW Intradepartmental Advisory Committee on Bicultural Education

President of the Wahington, D.C. Chapter of IMAGE

Board Member of Congreso -- the only Spanish Speaking lobbyist for Hispanic Americans in Washington, D.C.

Member of National Hispanic Forum Organization

Advisory Member to Children's Television Workshop Sesame Street

Ad Hoc Advisory Committee that organized National Hispanic Scholarship Fund

Member of Task Force for Enviromental/Ecological Education for U.S. Commissioner of Education

Chairman, Equal Employment Practices for American Federation of Government Employees

Director of Headstart for Maricopa County, Arizona

Director of I.G. Homes Unit of Boys' Club, Phoenix

Coordinator of State of Arizona first International Baseball Series between Phoenix teams and the "Los Mayitos" Little League of Navajos, Sonora, Mexico

INTRODUCTION OF ASSOCIATES

Mr. CHAVEZ. I will introduce Sally Christensen, the Acting Assistant Secretary for Planning and Budget. And to my left is Dr. Ronald Hall, who is the Chief of the Policy Coordination and Services Unit of the Office of Bilingual Education and Minority Language Affairs, and to my right is Mr. Rudy Munis, who is the Associate Director, Division of Program Development and Support.

I have a statement, Senator.

Senator SCHMITT. Would you please summarize your statement? Your entire statement will be included in the record. Ms. Christensen, let me add, that we will have additional questions for the record on elementary and secondary education, as we will on the subject of bilingual education.

Ms. CHRISTENSEN. We will be glad to accept those questions.

Senator SCHMITT. Please proceed.

Mr. CHAVEZ. In summary, Senator, the statement that you have reflects the bilingual education program. I would be glad to answer questions on any of the areas that are highlighted in the statement or any area that would be of interest in the bilingual program.

BUDGET REQUEST

Senator SCHMITT. The total appropriation that the 1982 budget asked for, is what for bilingual education?

Mr. CHAVEZ. That's $209 million.

Ms. CHRISTENSEN. That compares with $189.1 million in 1981 for an 11-percent increase.

Senator SCHMITT. Does that represent an increase in the number of local projects that would be supported or just inflationary increases?

Mr. CHAVEZ. It is going to add 71 new projects, Senator, which would serve an additional 28,000 children.

Senator SCHMITT. Mr. Chavez, how do you respond to a general criticism of the bilingual program that I have heard, and that is, that it focuses too much on the provision of bicultural opportunities and too little on the provision of bilingual opportunities?

Mr. CHAVEZ. Those criticisms have been circulating, but the bilingual program itself does not include biculturalism.

Senator SCHMITT. I would agree. By legislation, it doesn't, but there have been some charges at least that the English language proficiency, as well as proficiency in the language of birth, if you will, have been sacrificed for certain cultural activities under the bilingual umbrella.

Do you know of any examples of that happening? Do you think this is widespread, or do you feel satisfied that the program moneys are concentrated on language proficiency?

Mr. CHAVEZ. I don't know of any examples of situations like that in the title VII basic grants program that we support. Those grants go to school districts for capacity building. There is, however, as a part of the Office of Bilingual Education and Minority Languages Affairs' responsibility, a desegregation grant program that was just transferred to us that, in fact, does include bicultural components. I might also add that even though there has been the kind of concern and criticism you mentioned, more than 20 States are contributing at least $100 million of State funds for bilingual education. I think this is a good indication that the States are supporting the program.

Senator SCHMITT. Would you describe the desegregation responsibilities that you have just received?

Mr. CHAVEZ. There is a request in the opening statement for $10 million for desegregation grants, an increase of $400,000 above the 1981 level. These funds will support 40 grants to help local school districts provide bilingual-bicultural education programs as a part of a local desegregation plan.

Senator SCHMITT. How does that fit into a desegregation plan? I hate to plead ignorance, but I'm not quite sure I see how the two work together.

Mr. MUNIS. Mr. Chairman, we have the two programs that you first addressed—title VII basic grants and the desegregation grants. The two fit together in that the desegregation grants assist school districts by supporting a number of activities including that of developing a bilingual-bicultural componentt as a part of a districtwide plan to desegregate the schools.

Senator SCHMITT. You're saying the courts have ordered some kind of a bilingual-bicultural program to be instituted as part of a desegregation plan?

Mr. MUNIS. Yes; desegregation plans often call for that.

Senator SCHMITT. But there is no a priori reason that I can see how that actually would contribute to desegregation, but it is part of a plan, but it presumably is included in the plan for reasons other than technical desegregation, right?

Mr. MUNIS. Yes, sir.

Senator SCHMITT. Would someone else care to comment.

Mr. HALL. Let me just add a couple of comments. The recipients of the desegregation grants are school districts that are under a court order to desegregate. However, there are many instances across the country where there are limited English-proficient children in those school districts, and these grants assist the local education agency plan to implement a curriculum that tries to account both for the needs of the limited English-proficient children within the desegregated setting. According to the legislation, that assistance must include bilingual-bicultural programs. That provision appears in the statute.

CIVIL RIGHTS REGULATIONS

Senator SCHMITT. On August 5, 1980, the Secretary of Education issued the proposed regulations prohibiting discrimination against students with limited English proficiency in elementary and secondary education receiving assistance. After a considerable controversy, these proposed regulations were recently withdrawn by Secretary Bell.

What happens to the existing programs, if no new regulations are issued?

Mr. CHAVEZ. Senator, I'd like to point out that the regulations you referred to, the Lau regulations, were for title VI compliance. The title VII bilingual education regulations are not at all guided——

Senator SCHMITT. They are not affected by that action?

Mr. CHAVEZ. No; they are two separate things. The announcement that came out about the Secretary's action concerned the Lau regulations. The title VII regulations were not withdrawn. In any event, the Congress had held in abeyance the publication of final Lau regulations until June of this school year. The regulations withdrawn by the Secretary were proposed regulations and were not in effect. The Secretary is going to initiate a review of those proposed regulations.

Senator SCHMITT. They have no direct effect on title VII?

Mr. CHAVEZ. No, they do not.

Senator SCHMITT. Are you familiar with the Fairfax County, Va., English intensive bilingual education program?

Mr. CHAVEZ. Yes; from what I read in the paper, and I'm also aware of that particular school district because I happen to live in Virginia——

Senator SCHMITT. It is a departure, as I gather, from the Federal program requirements.

Mr. CHAVEZ. I can state to you what the Secretary has said about the situation in that school district. I don't think the Department in any way is going to tell the Fairfax School District what approach they must use in that school district.

I guess you also know, Senator, that Fairfax spends something like $3,000 per child. The situation there is much different than in San Antonio, Tex.

I recall one school district in Texas that has a per-child effort of about $500. In the Fairfax situation the decision was made that they were doing a good job with a major financial commitment, but that effort might not be the same somewhere else.

Senator SCHMITT. So you think the financial resources available are the principal reason for differences in the program?

Mr. CHAVEZ. Yes.

Senator SCHMITT. Was there an exemption from Federal regulations for Fairfax County's activity?

Mr. CHAVEZ. The matter dealt with the Lau regulations rather than the bilingual education regulations.

Mr. HALL. Yes; that really is an OCR matter, since it relates to compliance with title VI of the Civil Rights Act.

Senator SCHMITT. If you would provide us with a little more information for the record on that situation, we would appreciate it.

Mr. CHAVEZ. Yes, we will.

[The information follows:]

FAIRFAX COUNTY

OCR withdrew a letter of findings against Fairfax County, Va., in December 1980. In doing this, it did not depart from OCR policy in effect since the Lau remedies, the Department's remedial standard in language discrimination cases, which was issued in 1975. The cover letter transmitting this document to school officials specifically permitted other approaches to be used, provided the school district could demonstrate its effectivenss.

In 1976, when the letter of findings was first sent to Fairfax, the county had yet to develop any coherent strategy for dealing with a fairly substantial population of immigrant children. It has subsequently done so. OCR was given data that showed that immigrant children were doing fairly well in school after graduating from the district's program. The evidence presented is far from conclusive regarding the effectiveness of the program, but was encouraging enough to render foolish a present affirmative judgment that the county was excluding children from school.

BLOCK GRANTS

Senator SCHMITT. If the bilingual program was folded into a block grant, what do you think would be the effect of that—a block grant with other secondary and elementary education programs?

Mr. CHAVEZ. I think, Senator, that it would be a very difficult thing to do.

Ms. CHRISTENSEN. Mr. Chairman, it should be made clear for the record that it is not in the block grant proposal now.

Senator SCHMITT. It should also be clear for the record that I asked "what if" it were, what would be the effect.

Mr. CHAVEZ. Well, I will call upon Mr. Munis to discuss that, but I would like to say to you, Senator, that it would be difficult. If you looked across the country, there are three major States that have heavy concentrations of limited English-proficient children. Particularly, in the case of Hispanics, these are New York, Texas, and California.

Furthermore, there are 13 States throughout the country that have other major language minority populations and it would be very difficult to distribute the title VII grant money on a formula basis across this land. That was the principal reason that was presented as to why the title VII program was not included.

Mr. Munis might have something to add.

Mr. MUNIS. I think Mr. Chavez has pointed out the highlights of what I would say, but on the formula block grant, the moneys pretty much would go to New York, Texas, and California where you have the highest concentration of the target population. We did a quick analysis, and based upon it, concluded that if each State received a grant for each limited English-proficient child, they would receive about $25 per child.

Mr. CHAVEZ. And Senator, as you know, the major populations, served by the programs are Hispanic, but there are 70 language groups that are also assisted through the program.

Ms. CHRISTENSEN. Mr. Chairman, the concentration issue was the reason, the primary reason, that it was pulled out of the block grant.

TEACHING ENGLISH

Senator SCHMITT. Do you believe, Mr. Chavez, that the criteria for bilingual education should be English proficiency, or should it be the language of birth?

Mr. CHAVEZ. I don't think there is an adult in this country, from the Hispanic community or others that do not want their children to learn English. I think the way that it is approached is the big question. If you have children that come to school that don't know how to speak English, then the approach ought to be to try to teach them initially in their mother tongue. I realize, however, that there are not that many teachers throughout the country who are linguistically trained to do that. We're talking about 70 significant minority languages in this country, and it is very difficult to find enough teachers to meet all the particular needs.

There is no question in my mind that the ultimate goal is to learn English. I mean, there are just no if's, and's, or but's.

Senator SCHMITT. To what degree would you emphasize maintenance of Spanish or any other language of birth during that process?

Mr. CHAVEZ. It would seem to me that there are a number of cases that are different. Let me give you some cases in point. A child from Central or South America who has been educated in his country, who has already received instruction in Spanish is much different than a child who was born in this country, say a Mexican-American, who has not had instruction in Spanish. It would seem to me that you would have to provide instruction in Spanish to the child who had been instructed in it, and try to then move them from their first language into English.

In the case of children who have not had formal instruction in the mother tongue, which is typical of many of our children in the United States that are of Hispanic origin, you need bilingual teachers to try to bring them forth from the language they know better—that might be the one that is used at home, to then try to move into English. There are many different situations throughout the United States. But I think there is no question that in either case, parents want their children to learn English.

MAINTENANCE OF LANGUAGE PROFICIENCY

Senator SCHMITT. But you, I think if I read you correctly, would probably agree that there is a national interest in having much broader bilingual and multilingual proficiency in our population than we have today and particularly with respect to Latin America in general where hopefully our relationships are going to continue to expand and improve. A great deal is to be gained by having broad bilingual proficiency, particularly in the Southwestern United States where contact is routine rather than exceptional.

Mr. CHAVEZ. I think you're right, Senator. From my standpoint, from what I see, there is a need in this country to recognize the skills of language minorities in terms of communication with the rest of the world.

Senator SCHMITT. But do you think the bilingual program should include the maintenance of that proficiency in a language other than English, if that has been the child's initial language?

Mr. CHAVEZ. Not in the title VII program.

Senator SCHMITT. You don't think that's a responsibility of title VII?

Mr. CHAVEZ. No; school districts can make provision for language maintenance or enrichment classes, but we're mandated by law to have a transition program, not a maintenance program.

TEACHER SUPPLY

Senator SCHMITT. One of the problems we have in New Mexico is that in attempting to enhance bilingual education, we have teachers in the school systems that are not proficient in Spanish, even though that is one of their responsibilities.

They may speak some Spanish, but they don't speak Spanish at the level, say, that we would like for Spanish either to be taught or at the level necessary to communicate with the students during the period of transition from Spanish to English proficiency.

What if we took half of the bilingual money and devoted it to teacher proficiency rather than to specific bilingual programs?

Mr. CHAVEZ. You have hit on something which we are attempting to do, and I will ask Ron Hall to give you an idea of some of the things that are happening now in bilingual education in respect to the training of teachers and other bilingual personnel.

Mr. HALL. Senator, I think if we look at the budget that we are discussing today it is evident that the bulk of our requested increase is in the area of expanding the pool of qualified teachers to serve in bilingual education programs. We are very concerned about the number of these teachers that are available nationwide for service in this type of program.

Our data are not as strong as we would like. We are taking some steps, this spring as a matter of fact, to increase the precision with which we can estimate the supply and demand of qualified bilingual education teachers.

But we are concerned. We have enough anecdotal data and we have enough data from past studies to believe that there is a real need. For example, in 1976–77 a survey of teacher language skills found that there were some 34,000 teachers nationwide who were minimally qualified to teach in a bilingual education program.

When you put those data up against the estimated 3.6 million children nationwide who are limited English proficient and could benefit from this program, that gives you a very high teacher-pupil ratio. We also have other data from some of the States that indicate that there is a very serious shortage of teachers out there.

So we are concerned about it, and we are trying to improve not only the quantity of teacher training programs, but also the quality of those training programs.

Mr. CHAVEZ. Senator, I wanted to add something. There is an interesting program that just started a year ago. It is called the dean's program.

In the dean's grant program, about $1 million supports some 35 projects. What the program tries to do is give an award of about $50,000 to an institution of higher education to hire a person to build a training program and curriculum at the institution. Funding is reduced in subsequent years to two-thirds of that amount, then one-third of that amount, and finally in the fourth year the institution takes over all the costs.

It is an interesting program, and it is a program to watch closely in terms of how we are trying to institutionalize the concept of bilingual education. I think that is the kind of activity that we need to get involved in more and more at the local level to make sure that we can help to increase the pool of qualified teachers.

TEACHER QUALIFICATIONS

Senator SCHMITT. Can you draw any relative value between methods of bilingual education and proficiency in language of the teacher, who is conducting the instruction—are they both equally necessary?

Mr. CHAVEZ. Yes, to a degree; to bring children from one point in their learning to another requires many things of a teacher. This is doubly true in a bilingual education program. Teachers need to know the basics as well as where the kids come from, and something about their home environment. Teachers need to be able to convey subject matter in two languages.

It takes a very special teacher to do all this, especially in the lower grade levels. If it is possible to try to reach these kids at kindergarten——

Senator SCHMITT. But it still takes language proficiency. The more proficient you are in the language of the child to be taught and in English the better that job is going to be done.

Mr. CHAVEZ. That is right. You have to know how to speak the language. I also think that the training is important.

Senator SCHMITT. Does the bilingual program other than what you have just described, does it try to increase teacher proficiency in the language of the child?

Mr. CHAVEZ. Yes; wherever possible.

Senator SCHMITT. You are principally dependent upon what the higher education system is turning out in terms of available persons for bilingual education.

Mr. CHAVEZ. Right.

Senator SCHMITT. Are you particularly satisfied with the total mix or the proficiency of many of those graduates.

Mr. CHAVEZ. No; we are not. Mr. Hall mentioned a survey we are about to initiate in the spring throughout the country that would identify teachers who are qualified to teach in bilingual programs to get a better handle on the scope of this problem. We know that as of 1976 there were 34,000 minimally qualified teachers. Since there are 3.6 million pupils, it is very apparent that we need more trained teachers to serve these students.

Senator SCHMITT. There have been some indications that teachers have been hired on the basis of surname rather than on the basis of proficiency in the language. Do you sense that that is happening?

Mr. CHAVEZ. Well, Senator——

Senator SCHMITT. In order to meet certain quotas and this sort of thing?

Mr. CHAVEZ. Back some 10 or 12 years ago when this program started out, there were very, very few bilingual education teachers, especially in the Southwest. Perhaps then people were hired on the basis of surname because of a presumed proficiency in the language.

I don't think that is the case anymore. I think the schools are trying to identify and find the best qualified teachers for the needs that they have in the schools.

Senator SCHMITT. Well, this is an extremely important question, and I wish we could proceed for the rest of the afternoon on it. But the subcommittee must move on to other things.

SUBMITTED QUESTIONS

We will have additional questions, as I indicated, for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LAU REGULATIONS

On August 5, 1980, the Secretary of Education issued the proposed Lau regulations prohibiting discrimination against students with limited English proficiency in elementary and secondary education programs receiving federal assistance. After considerable controversy these proposed regulations were recently withdrawn.

Question: Is the Department working on its own set of regulations to replace the regulations which were withdrawn?

Answer: The Secretary has asked the Office for Civil Rights to review the public comments on the withdrawn regulations and to develop a work plan for the preparation and publication of a new set of civil rights regulations.

Question: Can you explain briefly what these regulations would have required?

Answer: The Proposed Language Minority (Lau) Regulations were issued to implement provisions of Title VI of the Civil Rights Act of 1964 that prohibit national origin discrimination in elementary and secondary education. Under proposed regulations, States would have been required to provide special language services to national origin minority students who, because of their limited English speaking proficiency, are denied equal educational opportunity. The regulations proposed standards for the identification and the assessment of the needs of limited English proficient children and for the provision of special language services to those children.

The requirements in the proposed regulations were designed to achieve two goals: one, to teach these students English; and two, to give these students the opportunity to keep pace with their English-speaking classmates in other subjects while they learn English.

The proposed regulations included four basic components.

- o The identification component defined methods of locating students entitled to services. The proposed regulations required questionnaires or interviews.
- o The assessment component required two tests to be administered:
  - a. First, recipients had to determine whether potentially eligible students were limited English proficient using a reading comprehensive test or an oral language proficiency test.
  - b. Second, recipients had to determine if limited English proficient students were primary-language-superior, English-superior, or comparably limited in English and their primary language.
- o The services component required a wide range of educational services once the recipient assessed the student's need. The proposed regulations required that English-superior students be given equal access to compensatory education.

Primary-language-superior students had to receive bilingual instruction and special instruction to improve English language skills. The regulations posed two alternatives for comment by the public in provision of services for students who were found to be comparably limited in English and their native language -- special English language training or -- bilingual instruction in required subjects and special English language training.

- The exit component allowed students to be graduated from a bilingual program when they were no longer limited English proficient, or, after two years when they were either no longer entitled to bilingual instruction by virtue of their relative language proficiency test scores, or scored above a set score during reassessments of English proficiency. Students would be graduated from a program designed to improve English language skills for any of these reasons or after they had been in the program for five years.

The proposed regulations required that bilingual instruction be given by teachers who were -- qualified to teach in the subject and grade under State law -- qualified to teach in more than one language and qualified to teach English to speakers of other languages -- conversant in both English and the appropriate language -- capable of communicating effectively with parents on school matters.

The proposed regulations provided for the modification of the regulatory requirements pertaining to bilingual instruction and bilingual staff where those requirements would be particularly burdensome. The proposed regulations also provided for the waiver of those requirements where existing alternative programs could be proven to meet the requirements in the proposed regulations.

Question: What happens to the program if no new regulations are issued?

Answer: Regardless of whether the Department issues another set of Civil Rights Language Minority Regulations, the requirements in Title VI of the Civil Rights Act pertaining to equality of access in elementary and secondary education apply to all recipients of federal assistance. The Department continues to monitor grantees for noncompliance with title VI. If the Department issues final regulations, the requirements in those regulations would apply to all recipients of assistance under Education Department programs. However, civil rights compliance regulations should not be confused with Department of Education program regulations that implement legislative funding authorities, such as title VII of the Elementary and Secondary Education Act.

Title VII authorizes the award of discretionary grants to develop, operate, and improve programs of bilingual education for children of limited English proficiency in elementary and secondary schools. Title VII also authorizes Federal support for programs designed to improve the personnel and material resources available for programs of bilingual education. The title VII discretionary grant program of assistance aims to improve school districts' abilities to meet the special educational needs of children of limited English proficiency and to build the capacity of those school districts to continue services when Federal funds are no longer available.

Regulations governing the awards of grants under Title VII, ESEA were issued in the FEDERAL REGISTER on April 4, 1980. The withdrawal of the proposed civil rights regulations does not change the effectiveness of the title VII regulations or the operation of the title VII programs.

Question: How did the proposed bilingual regulations which were withdrawn differ from the Lau Remedies which they were designed to clarify?

Answer: In general, the requirements in the proposed regulations are more comprehensive and specific than those in the Lau Remedies.

BUDGET REDUCTIONS

Question: In the event that funding cuts were to be made in the existing program, what recommendations could you make as to areas where reductions could occur without adverse impact on the funding of this program?

Answer: Based on the critical shortage of qualified bilingual education teachers and other education personnel needed to provide services to children of limited English proficiency, the Office recommends the continuation of the current level of Title VII support for training activities. Training programs assisted under the act have a greater potential national impact on meeting the needs of children of limited English proficiency than do direct service programs which meet needs of the local level. Therefore, any reduction in title VII funding should be made in those programs that impact on the local level, and support should be continued for training programs that meet both national and local needs.

TWO-YEAR EVALUATION

Question: There is a provision requiring evaluation of each student's progress in learning English every two years. Is it being implemented? What results are there?

Answer: The regulations for the Basic Projects Program (34 CFR 501.45(c) and (d)) under Title VII ESEA establish procedures and requirements governing the evaluation of a child who has been enrolled in a program of bilingual education for two years. The regulations implement Section 721(b)(3)(F) of the Bilingual Education Act. This evaluation requirement will be operative as of the 1982-1983 school year, since the first grants awarded under the Education Amendments of 1978 began operation in September 1980. The Office is planning to provide technical assistance to grantees in the design and conduct of the student evaluations. The Office will monitor grantees for compliance with this requirement.

Question: How many states have laws which require bilingual instruction?

Answer: Approximately 27 States have statutes or regulations that permit or require minority language education services. Thirteen of these 27 States require, under certain circumstances, that school districts provide minority language education services to national minority origin students. Of those 13 States, three States permit and seven States require instruction in the comprehension, speaking, reading, and writing of the student's primary or home language while the student learns English, but only until the student can make the transition to an all-English curriculum. Three states permit school districts to provide such instruction for the purpose of maintaining or developing a student's primary language skills, even after the student has become proficient in English.

Questions: How do these State requirements differ from those in Federal legislation or regulations?

Answer: It is difficult to compare the diverse requirements of the states with requirements established in the Civil Rights Language Minority Regulations and the requirements established in the authorizing legislation for grantees under title VII, of the Elementary and Secondary Education Act. In some areas, the requirements are similar. For example, 15 States specify a historical and cultural component in bilingual education programs. The proposed Civil Rights Language Minority Regulations require educational programs for children of limited English proficiency to be "operated with respect for the culture and cultural heritage" of the limited English proficient students. The title VII legislation requires that the instruction in a program of bilingual education assisted under the act be "given with appreciation for the cultural heritage of (the children of limited English proficiency), and of other children in American society..."

In general, State bilingual education requirements tend to be more specific than the requirements established in the proposed civil rights compliance regulations and those established in the title VII.

The requirements in title VII provide grantees with flexibility in determining appropriate identification and assessment procedures and appropriate class instruction. State requirements, where they exist, in general exceed those requirements established for the title VII discretionary grant program.

BLOCK GRANTS AND TITLE VII

Question: What is likely to happen to bilingual education programs in States without bilingual education requirements should the federal program be folded into a block grant?

Answer: The current plan is to maintain the bilingual education program at the Federal level. However, should title VII funding be included in the block grant program, the national distribution of those programs would change. Title VII currently supports programs of bilingual education in 41 States. These programs serve approximately 10% of the 3.5 million school age children of limited proficiency in the country. Should funds be made available to States based solely on the number of children of limited English proficiency, the limited amounts of funds available under this program would be concentrated in those areas with high numbers of eligible students (primarily in three States). States with smaller populations might not receive levels of funding that could support programs of bilingual education.

The title VII program also funds several types of support service centers (Bilingual Education Service Centers (BESCs) and Evaluation, Dissemination, and Assessment Centers (EDACs)) and projects (Training and Materials Development) that serve as a network of support for programs of bilingual education assisted under title VII and for other bilingual education efforts.

If title VII became part of block grant legislation, it is not clear what would happen to these regional centers. It is possible that states would choose to continue them.

Question: Do you believe there is reason for concern that Bilingual Education needs will not be addressed by local officials in a block grant program?

Answer: We have considerable reason to believe that service would be continued to limited English proficient students. This is true because the current block grant proposal, which does not include title VII, targets funds to those groups which were originally served. Further, many States have legislation which provides for programs to serve limited English proficient students. We expect that, given the large number of bilingual projects currently in place, many would continue. Finally, the Lau vs Nichols Supreme Court decision requires school districts to provide some kind of services to these children.

It would be impossible, however, to predict what kind of service, bilingual, English as a second language, or some other approach, would be most prevalent.

EVALUATIONS OF EFFECTIVENESS

Question: Have there been any recent studies which evaluate the effectiveness of Federal bilingual education programs in improving student achievement in the basic skill areas of English, reading, and math? If so, what were the findings?

Answer: The Evaluation of the ESEA Title VII Basic Spanish/English Bilingual Education Program conducted by the American Institute for Research in the fall and spring of 1975-1976 and fall of 1976-1977 is the only national level impact study which the Department of Education has ever funded. One of the objectives of the study was to investigate the effectiveness of the title VII program in improving student achievement in the basic skills areas. The study found that children in title VII projects made less progress in developing English language proficiency than did comparable children in English language classes and made the same progress in mathematics computations as non-title VII students. However the AIR study has been strongly criticized for the selection of the control group and for the use of early projects, not reflecting later improvement.

OBEMLA is currently planning two studies whose objectives are to determine title VII program effectiveness. The first study is a meta analysis of reported data on the progress of title VII basic projects (information reported in two large samples of annual evaluation reports submitted by grantees). The second study will be a national impact study to be conducted in a phased, six year time frame, beginning in FY 1982. While the former study is an analysis of secondary effectiveness data, the latter study will collect and analyze primary basic skills data.

DESEGREGATION GRANTS

Question: How many children would you estimate are suffering particular educational problems as a result of being segregated by language? In what areas of the country do such situations exist?

Answer: The Office for Civil Rights estimates that there are approximately 564,000 children in 1,971 school districts implementing desegregation plans who are of limited English proficiency. Approximately 40% (191,000) of those children are not receiving any special language instruction. The areas of the country in need of desegregation support assistance are urban and regional areas experiencing recurring problems with desegregation, in areas with high concentrations of minority group children, and areas experiencing a high influx of refugee and entrant children. Of the 19 bilingual education desegregation support projects assisted in fiscal year 1980, there are 10 projects in the State of Texas, 3 projects each in California and Florida, 2 projects in Louisiana, and 1 project in New York.

Questions: How are these grants awarded?

Answer: The Secretary conducts two separate discretionary grants competitions for awards under this program. The Secretary holds separate competitions for: (1) projects that develop curriculum for instructional program of bilingual-bicultural education; and (2) projects that implement instructional programs of bilingualbicultural education. The Secretary makes awards under the desegregation support program based on: (1) a review of the applications submitted under the program according to selection criteria contained in the regulations; and (2) a consideration of the relative needs of the applicants for the assistance provided under the program. All projects assisted under the desegregation support program must be designed to complement a school district's qualifying desegregation plan.

DEMAND FOR SERVICES

Question: How many limited English proficient children are estimated to be in need of bilingual instruction?

Answer: Based on data compiled for the 1978 Children's English and Services Study conducted under contract by the National Institute of Education, the number of children of limited English proficiency is estimated to be 3.6 million (ages 5 to 17).

Question: How many of these children are currently in Federal bilingual programs?

Answer: Approximately 350,000 children are being served by title VII programs of bilingual education.

Question: What is the average institutional cost per student participating in the Title VII bilingual education program?

Answer: It is difficult to determine an average institutional cost per student participating in the Title VII programs of bilingual education since the costs of those programs may include the costs of training for education personnel and parents to enable them to contribute more effectively to the programs of bilingual education, the costs of providing supplementary preschool and community activities that are supportive of the programs of bilingual education, and the costs of meeting grant requirements pertaining to the project advisory committees.

The program estimates the institutional cost per student to be approximately $600. However, institutional cost per student varies widely because of the diverse educational needs of students, the differences in the types and quality of resource available for programs of bilingual education in the various languages, and the differences in the financial ability of school districts to support programs of bilingual education. Institutional costs for projects conducted in Native American or Indochinese languages may be considerably higher than those for a program conducted bilingually in Spanish because of the limited availability of materials and qualified personnel in those languages.

Question: How many Federal programs currently provide financial assistance for bilingual education? What is the amount of total Federal funding in bilingual education?

Answer: The most recent official report listing the Federal programs that address the needs of limited English proficient populations is contained in the Condition of Bilingual Education in the Nation: Second Annual Report by the U.S. Commission of Education to the President and the Congress dated June 1978. An internal Department paper addressing the coordination of federally-supported activities related to bilingual education includes a list of Departmental programs that address the needs of persons of limited English proficiency. The Office is currently working on an expansion and update of that list.

One of the problems in collecting and analyzing data submitted from other programs has been the different usage of terms describing the limited English proficient persons assisted under the different programs. It should also be noted that, although a number of Federal programs provide assistance for limited English proficient persons, the assistance is not always specifically for bilingual education activities, but may support activities such as English-as-a-second-language instruction. It also should be noted that many of the programs provide assistance to limited English proficient persons because those persons happen to be members of a specific target group, for instance, economically disadvantaged or minority group children. Finally, many of the programs that provide assistance to limited English proficient persons, who are part of a larger target population receiving program services, do not specify the funds spent on bilingual education or the number of limited English proficient persons served. We are working to improve our data on these areas.

Question: What is the total amount of State and local funding of bilingual education?

Answer: A recent (unofficial) survey of State educational agencies in the United States (excluding U.S. Possessions, Territories and Commonwealths) indicated that about $104 million in State funds were appropriated for bilingual education in fiscal year 1979. The Education Commission of the States reported in a study released September 1979 that 22 States with State-funded bilingual education programs expended approximately $94 million for bilingual education. Unfortunately no data are available on local expenditures for bilingual education.

SUBCOMMITTEE RECESS

Senator SCHMITT. The subcommittee will stand in recess until 10 a.m. tomorrow when we will meet again in this room to hear testimony on impact aid and emergency school aid.

Thank you very much.

[Whereupon, at 3:45 p.m., Monday, March 2, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 3.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

TUESDAY, MARCH 3, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Daniel K. Inouye presiding.

Present: Senators Inouye, Hatfield, Abdnor, Specter, and Chiles.

DEPARTMENT OF EDUCATION

IMPACT AID

STATEMENT OF JOHN RODRIGUEZ, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

- **ALPHEUS WHITE, ACTING DEPUTY ASSISTANT SECRETARY FOR EDUCATIONAL SUPPORT, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION**
- **WILLIAM L. STORMER, DIRECTOR, DIVISION OF IMPACT AID, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION**
- **SHIRLEY McCUNE, DEPUTY ASSISTANT SECRETARY FOR EQUAL EDUCATIONAL OPPORTUNITY PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION**
- **ELWOOD BLAND, CHIEF, ESAA BROADCAST BRANCH, OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT**
- **MONIKA HARRISON, SPECIAL ASSISTANT TO THE DEPUTY ASSISTANT SECRETARY FOR EQUAL EDUCATIONAL OPPORTUNITY PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION**
- **SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET**

SUBCOMMITTEE PROCEDURE

Senator INOUYE. The committee will come to order.

This morning we will hear from the Department of Education on two activities, impact aid and equal education opportunities.

Impact aid is a payment to school districts which have large numbers of federally connected children.

89-889 0 - 82 - 10

The appropriation for equal education opportunities combines payments under the Emergency School Aid Act and title IV of the Civil Rights Act. This account provides Federal assistance to help pay for local desegregation activities.

We will begin with impact aid. Here to testify is Mr. John Rodriguez, Acting Assistant Secretary for Elementary and Secondary Education.

Glad to have you here, sir.

Would you like to introduce your colleagues at the table?

Dr. RODRIGUEZ. Yes, I would, Mr. Chairman.

PREPARED STATEMENT

Senator INOUYE. We have received your prepared statement and without objection it will be made part of the record.

[The statement follows:]

STATEMENT OF JOHN RODRIGUEZ

We appreciate this opportunity to appear before you to discuss the appropriation for School Assistance in Federally Affected Areas. We are requesting $401 million in fiscal year 1982, a reduction of $241 million below the 1981 revised estimate. The total request includes $337 million for Maintenance and Operations, and $64 million for Construction. The request for Construction represents an increase of $14 million over the 1981 level and supports the Federal role of providing safe and adequate school facilities for federally-connected children.

Maintenance and Operations

In fiscal year 1982, the request proposes to direct scarce budgetary resources only to those districts which are most severely burdened by Federal activities. This procedure is designed to reflect more equitably the true nature of the Federal responsibility.

The $337 million request for Maintenance and Operations will enable us to make payments to districts for "A" children, that is, those who live on Federal property and whose parents work on Federal property or are in the uniformed services, when these children make up 20 percent or more of the district's total enrollment. Payments to these so-called "Super A" districts will be made at 90 percent of entitlement for all "A" children except those connected with low-rent housing property. Payments for low-rent housing children will be made at 20 percent of entitlement. This request will enable us to make payments to aproximately 330 districts for over 166,000 children.

Payments to "Super A" districts for their "A" children recognize the loss to these communities of both a local residential and an industrial tax base to support the educational needs of these children. Most of these children live on military bases or on Indian lands.

The 1982 request will provide full payments under Section 2 to school districts having a partial loss of tax base. Payments also will be made under Section 6 for children who reside on Federal property where the State or local education agency is unable, because of legal or other reasons, to provide a suitable free public education. The amount requested for educating these children is the 1981 level of $75 million.

In 1982 no payments will be made for "A" children to non-"Super A" districts nor will payments be made for "B" children--who either reside or whose parents work on Federal property.

We are also requesting $12 million to meet major disaster claims and to raise the eligibility threshold for payment of a claim to $10,000 or five percent of current operating expenses.

For fiscal year 1981, a rescission is requested of $148 million of the $665 million available for Sections 2 and 3 of the Maintenance and Operations program under the Continuing Resolution in effect through June 5, 1981. The rescission will have the effect of continuing payments to all school districts funded in 1980 while effecting a savings by making these payments at 75 percent of the 1980 payment level.

Construction

In fiscal year 1982, we are requesting $64 million for the Construction program, an increase of $14 million above the 1981 level. This program funds the repair and construction of elementary and secondary school facilities where enrollment and the availability of revenues from local sources have been adversely affected by Federal activities.

In 1982, the emphasis will again be placed on construction activities for schools located on Federal installations, with a request for $32.5 million, and on the construction of school facilities for children residing on Indian lands, with a request for $30 million. The balance of the request, $1.5 million, is for grants to LEAs experiencing an increase in Federal activity.

Investigations have documented severe life and safety hazards as well as access problems for the handicapped at many of these schools. For example, classes are held in wooden buildings with burn rates of five to eight minutes and with gross structural defects such as furnace rooms next to classrooms, inadequate and unsafe fire escapes, and leaking roofs. Further, some buildings are not accessible to handicapped children as required by law. Many facilities are outmoded and do not permit the establishment of contemporary educational programs.

Under Section 10, the $32.5 million request will be used to fund construction of four new federally-owned schools which provide classrom facilities for approximately 3,070 children currently housed in unsafe facilities. These four structures will replace buildings that have been found to be in violation of existing Federal and State building codes because they contain structural deficiencies which make them hazardous to life and safety of the children.

The budget request of $30 million under Section 14 will provide funding for five facilities located in school districts which educate both Indian and non-Indian children alike. Many of these children attend school in facilities which have deteriorated through the years and which currently contain unsafe and inadequate physical conditions.

The $1.5 million requested for Section 5 will fund construction activities in school districts which have experienced an increase in federally-connected children because of new or increased Federal activities-either direct or contracted. These projects, for the most part, are for additions to existing facilities.

I or my colleagues will be pleased to answer any questions you may have on this budget request.

1982 BUDGET REQUEST

Dr. RODRIGUEZ. I would like to highlight that statement at this time.

This budget is for $401 million in fiscal year 1982, which is a reduction of $241 million below the 1981 revised estimate.

The total request includes $337 million for maintenance and operation and $64 million for construction, an increase of $14 million over the 1981 level, and supports the Federal role of providing safe and adequate school facilities for federally connected children.

Under maintenance and operations, the $337 million request will enable us to make the payments for "A" children to super A districts, where "A" children make up 20 percent or more of the district's total enrollment. The payments to these super A districts will be made at 90 percent of entitlement for all "A" children except those connected with low-rent housing property.

Payments for low-rent housing children will be made at 20 percent of entitlement.

This request will allow payments to be made to about 330 school districts.

There are no funds included in this budget for "B" children. This budget request includes $12 million to meet major disaster claims and a request to raise the eligibility threshold for payment of a claim to $10,000 or 5 percent of current operating expenses.

In 1982, the emphasis will again be placed on construction activities for schools located on Federal installations with a request of $32.5 million; and construction of facilities for children residing on Indian lands with a request for $30 million.

The balance of the request, $1.5 million, is for grants to local education agencies experiencing an increase in Federal activities.

This budget request for construction acknowledges the Federal responsibility to provide safe and adequate school facilities for federally connected children.

Investigations of life and safety hazards document that there are children attending school in wooden buildings with burn rates of 5 to 8 minutes and with gross structural defects, such as furnace rooms next to classrooms and inadequate, unsafe fire escapes.

Under section 10, $32.5 million is requested to fund construction of four new federally owned schools to serve approximately 3,000 children now housed in unsafe facilities.

Under Section 14, $30 million is requested to construct five replacement facilities in school districts which educate both Indian and non-Indian children.

The $1.5 million requested under section 5 will, for the most part, be used to construct additions to existing facilities.

Mr. Chairman, my colleagues and I would be pleased to answer any questions you may have with regard to this budget request.

RATIONALE FOR BUDGET REQUEST

Senator INOUYE. What is the rationale for limiting assistance only to the so-called super A areas?

Dr. RODRIGUEZ. The budget request was designed to acknowledge that there were scarce resources. In order to target the funds that were available, this was the level of funding that those who designed the budget determined could be met with the available funds.

Senator INOUYE. Under this proposal, how many school districts will receive assistance?

Dr. RODRIGUEZ. About 330 school districts.

Senator INOUYE. Comprising how many students?

Mr. STORMER. 166,000 students would receive aid under this proposal, Mr. Chairman.

Senator INOUYE. How many schools received "A" category payments in fiscal 1981?

Mr. STORMER. In 1981, about 1,400 school districts received "A" payments for approximately 340,000 children.

Senator INOUYE. Is that your idea of phasing it out?

Mr. STORMER. This is the idea of budget meeting the most urgently needed payments to school systems where the impact has been the greatest in the past.

PURPOSE OF IMPACT AID

Senator INOUYE. What was the rationale for establishing impact aid?

Mr. STORMER. The rationale was twofold. First of all, it was a payment in lieu of taxes that otherwise would have been collected on the basis of either the residence or the place of employment that was owned by the Federal Government and thus was nontaxable by State or local communities.

The second thrust of the impact aid program was to service those school systems which had a large influx or a large number of children who were federally connected either by virtue of residing on Federal lands, nontaxable, or having their parents employed on Federal lands, nontaxable, or having parents in the uniformed services.

So it was a twofold thrust.

The statute was created in 1950.

Senator INOUYE. Has that situation changed? Is the Federal Government paying real property tax now?

Mr. STORMER. No; the Federal Government does not pay real property taxes to local communities. In most situations that is true. There are some situations where the Federal Government does pay property tax or payment in lieu of taxes.

Senator INOUYE. Where is that, sir?

Mr. STORMER. This does occur in the areas where forest grazing lands exist. The communities under an authorization bill administered by the Department of the Interior receive payments on the number of persons that are within the community, a per capita payment.

I don't remember the exact number.

Senator INOUYE. How many students are involved in this?

Mr. STORMER. I don't know.

Senator INOUYE. Is it a large number? It is an exception to the rule, isn't it?

Mr. STORMER. It is an exception when we are considering impact aid.

Senator INOUYE. Are most Federal employees now paying taxes?

Mr. STORMER. The preponderance of pupils served under this program are served under the provisions of category B, where they either reside on private properties and their parents are employed on Federal properties or are in the uniformed services, or they live on Federal property and are not employed on Federal property. About 1.9 million children are in this "B" category.

In these instances those parents who reside on private property either pay taxes through ownership of homes or through rental payments that include tax payments.

It is on this basis that the argument has been made that the federally employed parent does carry a portion or share the load in terms of supporting local educational agencies.

"A" RECIPIENT SCHOOL DISTRICTS

Senator INOUYE. Now those former category A school districts under your plan would be expected to pick up the payments now, that is, make up the difference.

Mr. STORMER. The super A districts would receive payments only for category A youngsters and would have to pick up a portion that would have been paid to them on the basis of "B" children.

All other school districts that service "A" children, roughly 1,300, would have to pick up the cost of education of those children one way or another.

Senator INOUYE. Do you consider this fair to the governmental jurisdictions involved?

Mr. STORMER. It is a matter of trying to restrain the amount of money expended under impact aid along with the restraint of other programs. In view of the present economy, it is not an unusual approach. It has been an approach proposed by previous administrations for a number of years to reduce the amount of impact aid funds that are going to local school systems.

ALTERNATIVE FUNDING PROPOSALS

Senator INOUYE. Have you considered using the so-called formula approach?

Mr. STORMER. I am not sure I understand your question.

Senator INOUYE. For example, last year's budget request for impact aid proposed reducing payments according to a formula. If 2½ percent of a school district's budget was made up of "A" payments it would continue to receive impact aid funding. If 5 percent of its budget was "B" payments it would still receive funding. Didn't you suggest that?

Mr. STORMER. This was suggested, yes, as a means of reducing the amount of money expended under impact aid. It was one, however, that, to the best of my knowledge, did not see the light of day in either House.

Senator INOUYE. Have you considered that for this year?

Dr. RODRIGUEZ. I don't know if that was reviewed seriously when the budget was developed. We have no information in that regard.

"B" RECIPIENT DISTRICTS

Senator INOUYE. Other than budget constrictions, what is the rationale for zero funding for "B" districts?

Dr. RODRIGUEZ. The typical argument has been that the parents of these children do in fact pay taxes in other ways, either through sales taxes in some States, property tax, income tax, and that has been the basic rationale for limiting payments for "B" students in many of the budget requests in the past.

Senator INOUYE. Is it your conclusion that these students who were heretofore covered under the impact aid program, "A" and "B" students, are no longer a burden on the school districts?

Dr. RODRIGUEZ. This budget acknowledges, at least in super A districts, that "A" students continue to be a burden. I don't think the rationale that is offered dismisses the notion that "A" students are not a burden on a district, but in light of scarce resources the rationale was that available resources had to be targeted in some way. So they determined that it would be the super A districts that would receive funding.

HEAVILY IMPACTED SCHOOL DISTRICTS

Senator INOUYE. How did you come to the decision of 20 percent?

Mr. STORMER. That is a matter of statute. Prior to the Education Amendments of 1978, the percentage to establish super A's was 25 percent. The revision came about in the Education Amendments of 1978 which reduced to 20 percent the percentage to qualify or identify a super A school system.

ALTERNATIVE FUNDING PROPOSALS

Senator INOUYE. Has the Department considered some sort of phasing out instead of the sudden zero funding? Or did you receive marching orders to just slash?

Dr. RODRIGUEZ. That has been given consideration in the past. This proposal was developed on the basis, as explained, of elimination of all "B" and "A" students less than the 20-percent school district requirement.

Ms. CHRISTENSEN. There were other options considered during the budget formulation process. This was the one, with the scarce allocation of resources, that the previous administration believed was the most plausible at that time. Others were considered.

Senator INOUYE. What were the other options considered?

Ms. CHRISTENSEN. We can supply that for the record. There were a variety, depending on the funding tier in the individual sections and the percentages. You can come up with innumerable combinations.

[The information follows:]

IMPACT AID FUNDING ALTERNATIVES

The following alternatives were considered for section 3 of the maintenance and operations budget request for fiscal year 1982:

Alternative No. 1.—3(a) children in super A districts at 90 percent of entitlement; 3(a) low-rent housing children at 20 percent of entitlement; no payments for "B" children.

Alternative No. 2.—3(a) children in super A districts at 100 percent of entitlement; 3(a) low-rent housing children at 20 percent of entitlement; no payments for 3(b) children.

Alternative No. 3.—3(a) children in super A districts at 100 percent of entitlement; 3(a) low-rent housing children at 20 percent of entitlement; 3(a) children in nonsuper A districts at 25 percent of entitlement; 3(a) low-rent housing children at 20 percent of entitlement; no payments for 3(b) children.

Alternative No. 4.—3(a) children in super A districts at 100 percent of entitlement; 3(a) low-rent housing children at 20 percent of entitlement; 3(a) children in nonsuper A districts at 25 percent of entitlement; 3(a) low-rent housing children at 20 percent of entitlement; 3(b) military children at 25 percent of entitlement; no payments for 3(b) civilian children.

SUBMITTED QUESTIONS

Senator INOUYE. There are many other questions of a technical nature. I would like to submit them to you for your consideration and response.

Dr. RODRIGUEZ. We will do the best we can.

Senator INOUYE. We would appreciate that very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LOCAL CONTRIBUTION RATES

Senator Abdnor: Why haven't rates and entitlements been established for fiscal year 1981, and in some instances for certain school districts, fiscal year 1980?

Answer: Rates are established in one of two ways: comparability to other school districts in the same State is determined or a minimum rate is established. For 1981 minimum rates have been established; i.e. one-half the national average per pupil cost or one-half the State average per pupil cost in school year 1978-79. In addition, group rates have been established for most of the States that elect to use them. Under this first method of determining comparability to other school districts in the same State, the State places every school district in the State into one or another group based on one or more factors such as legal classification, number in average daily attendance and per pupil cost. The rate for any applicant in a particular group is found by dividing the aggregate current expenditures from local sources of all districts in that group by the aggregate number of children in average daily attendance in that same group.

A new procedure is being examined for the second method of determining comparability to other school districts in the same State. Under the second method, the data of approximately five individually selected comparable districts determines the rate for an applicant school district in a State that elects to use this method. The rate is determined by dividing the aggregate current expenditures from local sources of the five districts by the aggregate number of children in average daily attendance in the five districts. The new procedure involves placing the data of every school district in a State into a computer file. These data will include comparable factors such as grade level, pupil-teacher ratio, and per pupil cost. A program is being developed that will have the computer select five districts that are generally comparable to the applicant district. The data of these five districts will determine the applicant district's rate.

In other years, rates based on individually selected comparable districts have been determined as each application from a school district is examined and processed for an entitlement--usually during the months of February through June. After such processing, an eligible school district applicant receives an initial payment based on a percentage of the payable entitlement (minus any previously made preliminary payment). Thus, every eligible school district applicant receives the major portion of its payment before the end of a current school year.

Should the new rate procedure cause any delays in the processing of entitlements, we plan to use alternative procedures to insure that school districts receive some portion of their entitlements during the current school year.

The only rate determinations that have not been made for 1980 are those under section 3(d)(2)(B), a very complex section of the law. This section provides an increased rate to eligible districts that have 50 percent or more federally-connected children. Fortunately, only a few applicant school districts are involved in this determination.

INCREASED RATES--SECTION 3(d)(2)(B)

Senator Abdnor: Recognizing that reductions/prorations in impact aid will prompt increased use of section 3(d)(2)(B), what procedures/regulations have been established for its use?

Answer: We are presently developing uniform procedures for determining rates under section 3(d)(2)(B). In order to be eligible under this section, the law requires a school district to be making a reasonable tax effort to be availing itself of any other financial assistance, to have at least 50 percent federally-connected children, and to be receiving State aid for children residing on Federal property on the same basis as State aid is provided for other children in the State.

Senator Abdnor: What is the definition of equivalent/ comparable education as applied to section 3(d)(2)(B)?

Answer: Other school districts, preferably those that are not affected by Federal activities, in a State are considered comparable to an applicant school district based on one or more of the following factors:

1. State legal classification
2. Number in average daily attendance (ADA)
3. Per pupil cost
4. Grade span
5. Economic characteristics
6. Cost per pupil paid from local source funds only
7. Percent of pupils transported
8. Pupil-teacher ratio
9. Assessed local real property valuation per pupil in ADA
10. Ratio of assessed value of real property to true value
11. Tax rate levied
12. Teacher salary schedule
13. Curricula offered
14. Other relevant factors

Senator Abdnor: How will section 3(d)(2)(B) be applied to provide for school districts in which the economic burden exceeds financial support under Public Law 81-874?

Answer: After considering all other local, State and Federal resources, including the entitlement computed on the basis of the regular rate, that are, or should be, available to the school district, the funds needed for Federal children in order to provide an education equivalent to the average of the comparable districts form the basis of the rate determined under section 3(d)(2)(B).

Senator Abdnor: What is the effect of reductions and/or prorations in Public Law 81-874 funding on section 3(d)(2)(B) calculations?

Answer: The limitations on payments to "A" and "B" children contained in an Appropriation Act are applied to all eligible impact aid districts including the districts where rates of payment for those children are increased under section 3(d)(2)(B).

HEAVILY IMPACTED SCHOOL DISTRICTS

Senator Abdnor: In the President's budget address he stated "...all other Federal employees pay state income, real property, and personal property taxes in the jurisdiction in which they live in a manner no different than other citizens." I do not dispute that this is generally the case, however, there are exceptions and I am very concerned that these exceptions might be lost in the crush. Could you tell me if steps are being taken to ensure that this does not happen? And also, what those steps might be?

Answer: The budget request assumes that most hardship cases are the heavily impacted Super A districts and it does not include funds for any exceptional hardship cases that might exist in non-Super A districts. It looks to States and localities to support to a greater extent the education of all of the children within their boundaries.

Senator Abdnor: What is the rationale for the proposed reduction for category "A" students in the fiscal year 1982 budget?

Answer: Scarce Federal resources necessitate our proposal to fund only those school districts that are most burdened by Federal activities. Even these school districts will be required to slightly scale down their needs in order to help balance the Federal budget.

"A" CATEGORY STUDENTS

Question: The budget request for "A" category impact payments is $237 million, a reduction of $191 million. As you know, the parents of "A" category students both live and work on Federal property. Why did the Administration decide to recommend reduced funding for "A" students?

Answer: It was necessary to recommend reduced funding in order to stay within the available budget resources for 1982.

Question: How can the Department maintain that a student who attends a local public school and whose parents live and work on Federal property, is not a Federal burden on the school system?

Answer: We do not deny that "A" students are a burden on school districts. However, in order to limit the total Federal budget, it was necessary to look to States and localities to support to a greater extent the education of all of the children within their boundaries.

"B" CATEGORY STUDENTS

Question: The fiscal year 1982 budget proposes zero funding for "B" category students; these are children whose parents either live or work on Federal property. In fiscal year 1980, 37 school districts received over $1 million under "B" funding. This is a considerable amount of money to lose all at once. Why does the Administration propose immediate elimination of "B" funding rather than a gradual phasedown of the payments?

Answer: Although a gradual phasedown might be a preference, it is not possible within the limited budget resources available for 1982.

Question: In fiscal year 1981, please provide for the record a list of the 100 largest "B" payments to school districts (using the assumption of no rescission of fiscal year 1981 Impact Aid funding.)

Answer: The following is a list of the 100 largest "B" recipient school districts and the amounts they are estimated to receive under the fiscal year 1981 Continuing Resolution:

School Districts	1981 estimated "B" Payments ($ in millions)
New York City, N.Y.	$22.5
Fairfax County, Va.	7.4
Puerto Rico State Department of Educatiion	4.8
Chicago, Il.	3.5
Virginia Beach, Va.	2.9
Hawaii State Depdtment of Education	2.8
District of Columbia	2.5
City of Philadelphia, Pa.	2.3
San Diego, Ca.	2.3
Montgomery County, Md.	2.1
Anne Arundel County, Md.	2.0
Prince George's County, Md.	1.9
Cumberland County, N.C.	1.9
Norfolk City, Va.	1.6
Greater Anchorage Area Borough	1.6
Los Angeles, Ca.	1.4
Atlanta, Ga.	1.4
Baltimore City, Md.	1.4
Orleans Parish, La.	1.3
Boston, Ma.	1.2
El Paso, Tx.	1.2
Killeen, Tx.	1.2
Clark County, Nv.	1.2
Denver, Co.	1.2
Brevard County, Fl.	1.2
Prince William County, Va.	1.1
Northside, Tx.	1.1
Okaloosa County, Fl.	1.1
Duval County, Fl.	1.1
Escambia County, Fl.	1.1
Lawton, Ok.	1.1
Hillsborough County, Fl.	1.1
Charleston County, S.C.	1.0
Davis County, Ut.	1.0
Richmond County, Ga.	1.0
Hampton City, Va.	.9
Memphis City, Tn.	.9
North East, Tx.	.9
Dade County, Fl.	.9
Huntsville City, Al.	.9
Muscogee County, Ga.	.9
Montogomery, Al.	.9
Newark, N.J.	.9
San Antonio, Tx.	.9

School District	1981 estimated "B" Payments ($ in millions)
Newport News, Va.	.8
Albuquerque, N.M.	.8
Oakland, Ca.	.8
Onslow County, N.C.	.8
Colorado, Co.	.8
Pittsburgh, Pa.	.8
City of Bellevue, Ne.	.8
Territory of Guam Department of Education	.7
Chesapeake City, Va.	.7
Fort Worth, Tx.	.7
Ysleta, Tx.	.7
Houston County, Ga.	.7
Baltimore County, Md.	.7
Columbus City, Oh.	.7
Chula Vista City, Ca.	.7
Weber, Ut.	.7
Birmingham, Al.	.7
Jefferson County, Ky.	.7
Harford County, Md.	.6
Alexandria City, Va.	.6
Clay County, Fl.	.6
City of Detroit, Mi.	.6
Portsmouth City, Va.	.6
Cincinnati City, Oh.	.6
Richmond City, Va.	.6
Clover Park, Wa.	.6
Midwest City, Oh.	.6
Oak Harbor, Wa.	.6
Clarksville-Montgomery County, Tn.	.6
Berkeley County, S.C.	.6
Cleveland City, Oh.	.6
Virgin Islands Department of Education	.6
Tucson, Az.	.5
Jefferson County, Co.	.5
Dallas, Tx.	.5
Copperas Cove, Tx.	.5
Howard County, Md.	.5
Wichita, Ks.	.5
Mobile County, Al.	.5
Austin, Tx.	.5
San Bernardino City, Ca.	.5
Dayton City, Oh.	.5
Judson, Tx.	.5
El Paso County, Co.	.5
Adams-Araphoe, Co.	.5
Poway, Ca.	.5
Arlington County, Va.	.5
South Bay, Ca.	.5
Charles County, Md.	.5
Orange County, Fl.	.5
Omaha, Ne.	.5
Nashville, Tn.	.5
Hardin County, Ky.	.5
Minneapolis, Mn.	.5
Central Kitsap, Wa.	.4
New Haven, Ct.	.4

IMPACT AID FUNDING

Question: In fiscal year 1982, what would it cost, by section, to maintain the impact aid program at its current operating level?

Answer:	Section 2	$ 13,000,000
	Section 3	717,000,000
	Section 6	81,000,000
	Section 7	12,000,000
	Total	$823,000,000

Question: What would be the cost of fully funding "A" and "B" payments?

Answer: It is estimated that $473.5 million would be required for "A" payments and $1,055 million would be required for "B" payments.

Question: What would be the cost of funding "A" and "B" payments through Tier 2? through Tier 1?

Answer: Through Tier 2, "A" payments would cost $444 million and "B" payments would cost $610 million. Through Tier 1, "A" payments would cost $118 million and "B" payments would cost $264 million.

LOW INCOME HOUSING

Question: The fiscal year 1982 budget for Impact Aid requests funding only for "Super A" districts, that is, districts where more than 20 percent of the students are "A" category students. Low-income housing "Super A" districts would be paid at 20 percent of entitlement; all other "Super A" districts would be paid at 90 percent of entitlement. Why does the budget create a distinction between low-income housing and other "Super A" districts?

Answer: The request to reduce funds to the children who reside in low-income housing reflects our agreement with Congressional decisions of the past few years to fund these children at a lower level than other "A" children. However, we continue to believe that low-rent housing (LRH) children do not properly belong in the impact aid program for the following reasons:

a) Public housing is constructed in response to local decisions with full local knowledge of tax structure.

   -- It is the responsibility of local communities to ensure that public housing is located in areas where adequate services can be provided.

b) Public housing authorities make payments in-lieu-of-taxes in the same way they use locally collected revenues.

   -- Local jurisdictions can use these payments in-lieu-of-taxes in the same way they use locally collected revenues.

c) Local public housing authorities (PHAs) enter into agreements with HUD.

- -- HUD shares in the initial cost of construction.
- -- HUD guarantees debt service on bonds issued by PHAs.
- -- HUD subsidizes the difference between PHAs' annual operating expenditures and revenues.

d) Children are generally already living in the community and attending school; they are not drawn to the community by the construction of new units.

Question: How much of the $237 million proposed for "A" payments would be for low-income housing impact aid?

Answer: Approximately $271,000 would be for low-income housing "A" children.

Question: The Education Amendments of 1978 greatly expanded eligibility for impact aid students who reside in Federally subsidized public housing. How many students and how many school districts are potentially eligible for funding under this provision?

Answer: There are 1,483 school districts that claim 738,740 children in connection with public housing.

Question: How many are "A" students and how many "B"? How is this distinction made?

Answer: There are 7,100 "A" students who reside in public housing with a parent either employed on Federal property or in one of the Uniformed Services. There are 723,950 "B" students who reside in public housing; 7,575 "B" students with a parent employed in public housing in the same county as the school district; and 115 "B" students with a parent employed in public housing outside the county of the school district (but in the same State).

Question: How much money under each category went to public housing students in fiscal year 1981? in fiscal year 1980?

Answer: Without considering a rescission, it is estimated that close to $1,625,000 would be paid for "A" public housing students in 1981. This same amount, $1,625,000 was paid for "A" public housing students in 1980. Also without a rescission, it is estimated that $86,235,500 would be paid for "B" public housing students in 1981. In 1980, school districts received $91,081,200 for "B" public housing students.

SECTION 2 - LOSS OF TAX BASE

Question: Section 2 of the law authorizing the Impact Aid Program requires that there be determinations made regarding the fiscal benefits of Federal activities to local educational agencies. In a recent report to the Congress, the Commission on the Review of the Federal Impact Aid Program noted that no means for making those determinations has been devised. How do you respond to this? How does the Department determine the net economic benefits resulting from Federal activities?

Answer: In determining the eligibility and amount of entitlement under section 2, the Department evaluates the data of a school district including its current membership, expenditures, revenues and the sources of the revenues. Any fiscal benefits received by the applicant and derived from the Federal activities should be included in the district's current revenues but they are not identified separately from other revenues. The extent to which revenues must be identified is that they have been acquired from Federal, State or local resources.

It would place an undue hardship on a district to require them to search out revenues attributable to the Federal activities. For example, increased housing construction on private property may have occurred primarily as a result of the Federal activity but may also include normal housing construction for a particular area. The increased revenues from the property taxes on these residences would be included in the school district's local revenues and offset to the extent that the new residences added children to the district's enrollment, and thus added new expenditure requirements.

After considering Federal and State resources available to the district, a hypothetical tax rate that would provide the necessary local resources to achieve a balance of revenues versus estimated expenditures is computed. The lesser of this "computed" tax rate or the school district's actual tax rate (for current expenses purposes) is multiplied by the estimated current assessed value of the federally-acquired property to produce the section 2 entitlement.

The net economic benefits resulting from Federal activities usually accrue to the community as a whole, especially in the area of increased employment opportunities.

DISASTER ASSISTANCE

Question: In fiscal year 1981, the Committee included bill language that raised the minimum claim for disaster assistance from $1,000 or one half of one percent of a district's operating expenses to $10,000 or five percent. The Department is requesting the same language this year. What has been the impact of this language?

Answer: Based on past experience, it is expected that the language will reduce annual payments by an estimated five percent and reduce the number of eligible claims by about 50 percent.

Question: The budget requests $12 million for disaster assistance: How is this figure arrived at? Why not $10 million? or $15 million?

Answer: The $12 million request is an average figure based on 10 years' experience.

SCHOOL CONSTRUCTION

Question: What is the current backlog for each of the authorizing sections under Impact Aid Construction?

Answer:	Section 5	$105,000,000
	Section 10	281,600,000
	Section 14	185,000,000

Question: How will the funding requested for fiscal year 1982 reduce this backlog?

Answer: The requested funding would reduce the backlog by providing urgently needed facilities in approximately nine public school districts and at four Federal installations.

- $1.5 million for section 5 would fund approximately three projects;
- $30.0 million for section 14 would permit initiation of about five new projects and complete the funding on six other projects currently under way; and
- $32.5 million for Section 10 would fund four projects.

Question: Have the Indian schools which were described in testimony presented by the Department last year as "unsafe" been repaired?

Answer: Not yet. The section 14 schools included in the study presented to the Congress were selected from the priority list on a stratified random sample plan with proportional allocation based on a regional configuration. Therefore, the schools selected were not necessarily the highest priority for funding even though sections of those schools contain hazardous or substandard educational housing conditions.

Question: Are there any other school facilities which are in serious need of repair? If yes, where are these facilities located, how much would it cost to repair them; and when are they scheduled to be repaired?

Answer: Yes. The names of school districts with facilities in need of repair and/or replacement are included on the priority list which has been submitted to the Committee. The reason that the districts are eligible for funding is that many of their pupils do not have appropriate or sufficient educational facilities to meet their needs.

Question: Mr. Rodriguez, as your testimony points out, the Department is requesting $64 million for the construction program. That figure is an increase of $14 million above the 1981 level and will fund the repair and construction of schools located on Federal installations and the construction of schools for children residing on Indian lands. Earlier this year, the Comptroller General reported on the use of vacant schools as a source of savings for new construction projects. Is there any application here for the Comptroller General's findings?

Answer: The prevalance of vacant schools is occuring in more congested areas where birth rates are dropping and/or in areas where people are moving away. If there were vacant schools available to the applicants under section 14, their priorities would be correspondingly reduced and they would have fewer opportunities or need for funding under this program. It would be ideal if some of the existing vacant schools could be used for this purpose, but the greatest needs for school facilities of the section 14 applicants are in isolated areas far away from other potential school buildings.

EQUAL EDUCATIONAL OPPORTUNITIES

STATEMENT OF JOHN RODRIGUEZ, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

SHIRLEY McCUNE, DEPUTY ASSISTANT SECRETARY FOR EQUAL EDUCATIONAL OPPORTUNITY PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

ELWOOD BLAND, CHIEF, ESAA BROADCAST BRANCH, OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

MONIKA HARRISON, SPECIAL ASSISTANT TO THE DEPUTY ASSISTANT SECRETARY FOR EQUAL EDUCATIONAL OPPORTUNITY PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET

SUBCOMMITTEE PROCEDURE

Senator INOUYE. We would now like to get to equal educational opportunities.

All right. Proceed.

PREPARED STATEMENT

We have received your prepared statement and, without objection, that statement will be made a part of the record.

[The statement follows:]

STATEMENT OF JOHN RODRIGUEZ

We appreciate this opportunity to present the fiscal year 1982 budget request for Equal Educational Opportunity programs. These programs assist in the attainment of quality, integrated education in our Nation's schools by providing a variety of assistance programs tailored to the needs of schools at any stage in the desegregation process. The total request for Equal Educational Opportunity programs is $306,043,000, of which $251,343,000 is requested for Emergency School Aid Act programs and $54,700,000 for Training and Advisory Services authorized by Title IV of the Civil Rights Act.

The Equal Educational Opportunity programs are comprised of two separate programs--Emergency School Aid, and Training and Advisory Services authorized by the Civil Rights Act. In fiscal year 1982, policy emphasis will continue to be on assisting districts which are in the process of implementing recent desegregation plans and the achievement of educational equity for all students regardless of their race, sex, or national origin.

Emergency School Aid

For the Emergency School Aid Act program, we are requesting $251,343,000, an increase of $15,010,000 over the fiscal year 1981 budget. These funds will support a variety of desegregation activities. In addition to giving recently desegregating school districts top priority, some funds will be available to provide assistance to school districts which are beyond the initial implementation stages of desegregation but which are continuing to experience desegregation-related needs.

Other strategies include: First, encouraging voluntary desegregation through a variety of incentive programs; second, promoting the development of comprehensive, continuing desegregation programs; third, supporting a capacity-building program for State and local schools to assist them in increasing the effectiveness and impact of their desegregating activities.

There are two types of grants programs supported by the Emergency School Aid Act--a State-apportioned program and nationally-competed programs. The request for State-apportioned Basic Grants to Local Educational Agencies is $107,800,000, the same as the 1981 budget. These funds will assist school districts in meeting the costs of activities related to the implementation of a desegregation plan, such as special counseling programs, training of teachers, human relations activities, and development of curriculums or revisions to them. Because Basic Grants are apportioned to States on the basis of their minority school-aged children, funds will go to all States in which eligible school districts request assistance.

Nationally-competed funds support a variety of desegregration-related activities, including Special Programs and Projects; Magnet Schools, Pairing, and Neutral Site Schools; Grants to Nonprofit Organizations; Educational Television and Radio; and Evaluation. In fiscal year 1982, we are requesting a total of $143,543,000 for nationally-competed programs.

As in 1980 and 1981, funding for Special Programs and Projects in 1982 will continue to focus on the special needs associated with new desegregation. The request of $94,583,000 is an increase of $11,000,000 over the 1981 level. This increase will be divided between out-of-cycle awards to districts adopting plans too late to apply for Basic Grants at the regular application time, and special awards to districts with severe unmet needs which applied under Basic Grants but for which there were insufficient funds.

The fiscal year 1982 request for Magnet Schools, Pairing, and Neutral Site Schools grants is $30,000,000, the same as that of a comprehensive desegregation strategy. These programs have received strong State and local support.

We are requesting $10,000,000 for Grants to Nonprofit Organizations, an increase of $2,500,000. These awards to public and private nonprofit agencies encourage community support for and participation in school desegregation. This increase will expand the role of nonprofit organizations in facilitating community involvement in desegregation and monitoring the implementation of desegregation plans.

The 1982 budget provides $6,450,000 for Educational Television and Radio, the same level as 1981. The request will support development of additional desegregation-related television and radio programming and expansion of promotion and distribution activities. In 1982, emphasis will be placed on increasing the quality of productions while maintaining a commitment to multi-ethnic TV and radio production.

Finally, $2,510,000 is requested for evaluation of Emergency School Aid Act programs, an increase of $1,510,000 over 1981. Previous evaluations of Emergency School Aid Act programs have had considerable influence on legislation and on program operations. Results have been disseminated to and used by Congress and State and local agencies, as well as Department program managers. The evaluation request for 1982 will support a mix of evaluation projects. These include new studies of some programs already evaluated to determine the effects of changes made, evaluations of programs not previously studied, and a synthesis of existing evaluation results and products.

Training and Advisory Services
(Title IV of the Civil Rights Act)

The budget request for Training and Advisory Services is $54,700,000, an increase of $9,025,000 above the amounts available in 1981. These funds will assist school districts which are desegregating by race, sex, or national origin by providing technical assistance or training through a variety of centers, training institutes, State education activities, and direct grants to local districts.

Of the total amount requested, $20,900,000 will be available for race desegregation activities, $15,400,00 for national origin desegregation activities, $15,400,000 for sex desegregation activities, and $3,000,000 for activities designed to strengthen the training and technical assistance delivery mechanisms of the centers, institutes, and State educational agency projects. Of the $9,025,000 increase, $7,625,000 will support expanded assistance in the areas of national origin and sex discrimination, and $1,400,000 will support additional race desegregation activities.

The priority in 1982 for all grantees will continue to be increasing the skills of education personnel to deliver quality integrated educational programs. Special emphasis will be placed on inservice training for teachers to improve their capability to provide quality individualized instruction for all students. In addition, administrators will be improving their management skills for dealing with desegregation-related programs. In 1982, 40 awards will be made to desegregation assistance centers to maintain a national network of training and technical services. These regional centers provide services upon request to the 16,000 local educational agencies in the Nation as they work to achieve educational equity on the basis of race, sex, and national origin.

Approximately 96 awards will be made to State educational agencies to support their efforts to provide technical assistance and training to local agencies as they desegregate schools. This is an increase of ten awards over 1981.

Funds will also be made available to training institutes in the areas of race, sex, and national origin desegregation. For the first time, the 1982 budget includes funding for national origin training institutes.

Finally, awards will be made directly to local educational agencies for race, sex, and national origin desegregation training activities and for hiring advisory specialists who assist in the implementation of a desegregation plan. A continuing emphasis will be placed on building a program designed to increase the coordination, effectiveness, and impact of Title IV programs.

We thank you for this opportunity to appear before you, and are prepared to answer any questions you may have regarding this budget request.

REQUEST FOR EEO PROGRAMS

Dr. RODRIGUEZ. I would like to highlight that statement at this time.

The total request for equal opportunity programs is $306,043,000, of which $251,343,000 is for the Emergency School Aid Act and $57.4 million is for title IV of the Civil Rights Act. The Emergency School Aid Act request is an increase of $15 million over the 1981 budget. These funds will support a variety of desegregation activities. The budget strategy is to give recently desegregated school districts top priority, to encourage voluntary desegregation through a variety of incentive programs, to promote development in comprehensive and continuing desegregation programs, to support involvement of State departments of education in assisting desegregation programs, and to support capacity building programs for State and local schools in increasing effectiveness and impact of their desegregation activities.

Funding requested for basic grants to local educational agencies is $107,800,000, the same as in 1981. These funds will assist school districts in meeting the costs of implementing a desegregation plan. In fiscal year 1982 the budget request of $143.5 million for nationally competed programs will include special projects, magnet schools, neutral site schools, grants to nonprofit organizations, educational television and radio, and evaluation. The special programs and projects request of $94,583,000 is an increase of $11 million over the 1981 level. The increase is divided between out-of-cycle awards and special awards for severe unmet needs.

The magnet schools, pairing, and neutral site school request of $30 million is the same as 1981. The request of $10 million for grants to nonprofit organizations is an increase of $2.5 million above the 1981 level to expand the role of nonprofit organizations in facilitating community involvement in desegregation plans.

For educational television and radio, the request of $6,450,000 is the same as 1981. Finally, $2.5 million is requested for evaluation of Emergency School Aid Act programs, which is an increase of $1.5 million over the 1981 budget to support a mix of evaluation projects.

Under training and advisory services of title IV of the Civil Rights Act, $54,700,000 is requested, an increase of a little over $9 million. Of the total amount requested, $20.9 million will be used for race desegregation activities, $15.4 million for national origin desegregation activities, $15.4 million for sex desegregation activities, and $3 million to strengthen the training and technical assistance mechanisms of centers, institutes, and State agency projects.

Of the $9,025,000 increase, $7,625,000 is requested for expanded assistance in national origin and sex discrimination, and the balance of $1.4 million is for additional race desegregation activities. The priority on this budget request is for all grantees to continue to increase the skill of educational personnel to deliver quality integrated educational programs. The emphasis is placed on in-service training for teachers to improve instructional skills and training for administrators to improve management skills for dealing with desegregation related programs.

Mr. Chairman, my colleagues and I would be glad to answer any questions you may have with regard to this budget request. Thank you.

REDUCTIONS IN IMPACT AID

Senator INOUYE. Before proceeding with equal education opportunities, I would like to yield to Senator Abdnor. He has a few questions he would like to ask on impact aid.

Senator ABDNOR. I'm sorry Mr. Stormer has left.

Dr. RODRIGUEZ. Yes, he just did.

Senator ABDNOR. This is a very important issue, and I'm sorry I'm late. People came into my office and I couldn't get away. Are you familiar with impact aid?

Dr. RODRIGUEZ. This budget request was submitted by the previous administration. The one to be presented by President Reagan will be forwarded on March 10, I understand.

Senator ABDNOR. I remember hearing something in the message that bothered me to no end. I'm not out to give the President a bad time, and I recognize the need for cutting the budget. My only concern is when we start this cutting, that the person doing the cutting fully understand the whole situation. We have one or two people who become experts in the United States, and I recall the message to the Congress the other day and I know stories about Montgomery County—I live in Fairfax County, myself. I pay property taxes, but when you talk about impact aid, you are talking about the whole country, and, unfortunately, most of the population in Congress comes from the more heavily populated areas where they make sure the counties around Washington are included. I recognize most people in government make pretty fair salaries. When men and women are both working they pay income taxes, property tax—heavy property tax—and sales tax. It does not seem too impacted to me. Let's take an example of an area that is impacted—an Indian reservation—60 percent of the land isn't even taxable.

They pay no property or sales taxes. They expect the school to provide an adequate education, which is difficult to do. The President said in his speech, that with the exception of a tiny fraction of Federal employees who are exempt from the income taxes in the District of Columbia by virtue of employment with the Congressmen from their home States, all other Federal employees pay State income tax, real property and personal property taxes in the jurisdictions in which they live in a manner no different than any other city to the extent that well-paid Federal employees augment the tax base.

In these areas which they live there is no justification for additional Federal payments for the schools to which they send their children solely on the grounds of residence. My point is obviously that all they have in mind when they strike impact aid is this area. I'm wondering if anyone in the Department of Education is aware of what impact aid means, really means, in some situations where there is no tax base?

One other point I would like to make concerns military reservations. I have one in my State. In fact it is one of the largest in the country. It is out in the country. There is no civilian community to speak of. It is one of our larger schools in South Dakota. That school could not exist for 5 minutes without impact aid. There's no business. No commerce is being generated in that particular school district, and when you start whacking across the board, you are destroying schools like these and their ability to operate.

I just want to make sure that you, Mr. Bell, the President, and David Stockman, will recognize that when you are swinging that knife—it does have to be done, I'm sure—that you realize the situation is different in different parts of the country and deserves special attention.

Dr. Rodriguez. As we review the budget proposals, we attempt to assess the impact any particular proposal may have, given scarce resources. You can't help it when a budget reduction takes resources away from particular needs. We just hope that in the final analysis that the most serious problems are addressed with the resources available.

CHANGE IN PROPOSED RESCISSION

Ms. Christensen. As long as you have raised the question of the Reagan budget, you should also realize that Secretary Bell and President Reagan did add some money over the Carter budget. The 1981 Reagan proposal for impact aid will provide that those districts rather than receive 75 percent of their 1980 payments, will receive 90 percent of the continuing resolution level. The decision was basically to cut the rescission in half, to provide some relief during the current school year.

Senator Abdnor. I understand that and appreciate it, except somebody down there has to show me how they're going to operate. You can't get money from nothing. It is not there to be had. On the reservations the tribes are buying more land. That land goes off of the tax rolls. Maybe it should be included under a tax proposal which would give the equivalent of tax on the land. That would help school districts provide education. Maybe that's the route we should go. What few out there are trying to operate under the regular course of life and business can't operate as it currently stands. This is no time to go into it, but I would like to sit down with you, Mr. Stormer, and others in the Department to make sure you fully realize what we are talking about. It is so unique and different that I don't want to tie up the whole hearing right now. Maybe we could get some extra time from you people.

Dr. Rodriguez. We would be very happy to assist you in that regard.

Senator Abdnor. I appreciate that. Mr. Chairman, I will submit further questions. I would appreciate the Department responding for the record.

Dr. Rodriguez. We would be glad to.

NEW ADMINISTRATION BUDGET REQUEST

Senator INOUYE. This budget request that you just described is the Carter budget, isn't it?

Dr. RODRIGUEZ. Yes, it is.

Senator INOUYE. Will this Carter budget be the budget on March 11?

Dr. RODRIGUEZ. There are some changes that are being considered for the new proposal. I don't have that information at this time.

Ms. CHRISTENSEN. That is not yet firmed up, Mr. Chairman.

Senator INOUYE. So we have no idea what will be happening.

Ms. CHRISTENSEN. We have no idea at this point. We are still getting numbers from OMB. We are actually still putting numbers together and arranging schedules for printing. We don't have all of the numbers yet.

NEW BLOCK GRANT PROPOSALS

Senator INOUYE. As we are all aware, we've received rumors from all sources, supposedly well-informed sources, and one of those well-informed sources has suggested that all of the appropriations for the equal education opportunities program will be put into a block grant and reduced by 20 percent. This is supposedly to give the States greater flexibility and more discretion as to how to set their own priorities and how to spend the money. What are your thoughts on that?

Ms. CHRISTENSEN. The assumption, Mr. Chairman, on the local education block grant, is that you would serve certain targets of children. The local education agency, we feel, is in a better position to decide the mix of funds that would go to those certain categories. The same categories of children will be served. They will be designated in the legislation. The block grant will not be general aid. The four major categories to be served in the grants are disadvantaged, handicapped, children in schools undergoing desegregation processes, and adult illiterates. The portion of emergency school aid which would go into it would include basic grants to school districts, a portion of the special programs and projects funds which currently go to local education agencies and the magnet schools, pairing, and neutral site activities.

There are some other discretionary kinds of activities which are geared toward school improvement which we have left in the State education block grant, such as a portion of special programs and projects, grants to nonprofit organizations, and educational television and radio.

There is also a small portion for evaluation which we have kept out at the Federal level.

But, basically, that is the rationale for what has gone into the block grants.

Senator INOUYE. The block grants will set forth certain categories, and the legislation will say that these categories must be included in your programs.

Ms. CHRISTENSEN. That is correct.

Senator INOUYE. We are assuming and praying that sufficient consideration will be given to these categories?

Ms. CHRISTENSEN. That's right.

Senator INOUYE. But the States will have flexibility and discretion as to how much they will put in there?

Ms. CHRISTENSEN. That's correct.

Senator INOUYE. They can put in twice as much as the Federal Government has up until now or cut it in half.

Ms. CHRISTENSEN. It is up to them.

Senator INOUYE. Or they can cut it down to 10 percent.

Ms. CHRISTENSEN. That's right. The mix is up to them. We feel that after roughly 15 years of giving the States and local districts various kinds of administrative and managerial support, they are now in a position to be able to make some of these decisions.

ORIGINAL INTENT FOR EQUAL EDUCATIONAL OPPORTUNITIES

Senator INOUYE. What was the initial legislative intent for the establishment of this program, the equal educational opportunities program, especially the civil rights section?

Dr. MCCUNE. The original intent was to provide technical assistance and training necessary to assist local school districts and State education agencies in complying with the Civil Rights Act.

STATE RESPONSIBILITY FOR CIVIL RIGHTS

Senator INOUYE. We are suggesting the States were not doing that up till then?

Dr. MCCUNE. At the time it was passed, I think that would be a fair statement. The legislation was very new in 1964, so it is hard to compare that time with now.

Senator INOUYE. Do you believe that all of the States will consider these programs with the high-priority consideration that you give it at the present time?

Dr. MCCUNE. No; I do not believe that all of them would give them a high priority. Some States are far ahead of the Federal standards and, in fact, would devote more to that. It would be a question of working with State agencies.

Senator INOUYE. Are you concerned about those States that are not too concerned about these programs?

Dr. MCCUNE. Yes; we are concerned about those States.

BLOCK GRANT LEGISLATIVE PROPOSAL

Senator INOUYE. What do you expect to do with them under this block grant proposal?

Dr. MCCUNE. It is too early to talk about how the block grant would be administered. Those issues have really not been finalized or determined.

Senator INOUYE. How would the block grant operate in those areas that are now undergoing desegregation?

Dr. RODRIGUEZ. As indicated, the specifics of the legislation have not been generated. It is anticipated that that will be done immediately after the budget proposal is sent forward. We would be in a better position to respond, once the proposal has been developed.

Senator INOUYE. Who will be drafting the legislation? OMB or your office?

Ms. CHRISTENSEN. We will be doing it in conjunction with OMB, as we have been developing the initial concept from the beginning with OMB. When I say "we," I mean the Secretary's immediate staff, which has been assisting him in developing it. We are now in the initial stages of developing the specifications—provisions such as supplement, not supplant, a matching requirements formula, taking into account the various populations, and accountability. These are all very, very complex issues. The Secretary has staff working on this now. And we are working in close cooperation with OMB in developing these specifications for the legislation.

The Secretary has also met with and invited the education community and all outside interest groups to provide suggestions, comments, and input, so that everyone's concerns can be taken into account as the specifications of the legislation are developed. We are just beginning to develop these, but have not put anything down in writing yet.

Senator INOUYE. Are you satisfied that the original legislative intent creating this law will be carried out under the block grant proposal?

Ms. CHRISTENSEN. We absolutely intend that the funds be used for these populations and puposes. The Secretary is very concerned about that, and is in contact with OMB in order to be sure, as we develop the specifications, that the intent will be carried out.

EFFECT OF DECREASED FUNDING

Senator INOUYE. How can the intent be carried out, if from 100 percent priority it goes down to 10 percent?

Ms. CHRISTENSEN. You mean the level of funding?

Senator INOUYE. Yes.

Ms. CHRISTENSEN. The rationale is that in eliminating a lot of the duplicative administrative services, both at the State and local levels, as well as by providing the localities and the States with additional flexibility, that we will to a large extent offset that decrease.

PROGRESS IN DESEGREGATION

Senator INOUYE. Much money has been spent under this program to facilitate and hasten desegregation. What progress has been made in this area, since the inception of this program?

Dr. RODRIGUEZ. We would like to submit a chart for the record with regard to the amounts of money that have been spent for this program since its inception.

[The chart follows:]

HISTORY OF APPROPRIATIONS FOR EQUAL EDUCATIONAL OPPORTUNITIES

[In thousands of dollars]

1965	8,000	1974	263,193
1966	6,275	1975	241,700
1967	6,535	1976	275,025
1968	8,500	1977	292,200
1969	9,250	1978	335,200
1970	17,000	1979	341,350
1971	88,900	1980	294,246
1972	86,602	1981	282,008
1973	270,640		
		Total, 1965 to 1981	2,826,624

1965–70—Includes only training and advisory services (title IV of the Civil Rights Act of 1964).

1971–72—Includes temporary emergency school assistance program (ESAP) and training and advisory services.

1973– —Includes temporary emergency school assistance program, Emergency School Aid Act, and training and advisory services.

1974–81—Includes Emergency School Aid Act and training and advisory services.

PROGRESS IN BOTH PROGRAMS

Senator INOUYE. Can you be specific as to how the money was spent and what progress has been made?

Dr. MCCUNE. Senator, are you referring to the Emergency School Aid Act or Title IV of the Civil Rights Acts?

Senator INOUYE. Both.

Dr. MCCUNE. They are slightly different programs. Under the Emergency School Aid Act, we have seen a tremendous amount of progress, particularly in the Southern States. As I am sure you are well aware, the funds were targeted to the Southern States in the beginning phases of the program, and only in more recent years have the funds been moved to assist desegregation in Northern and Western States. The most encouraging thing we see in the recent national assessments of educational progress is the increase in achievement of minority students in southern districts. While we cannot draw a 1-to-1 relationship with the Federal funding in those school districts, it would be very hard to conceive that ESAA funds didn't have some impact.

In addition, other evaluation studies have indicated very clearly that the desegregation efforts have, in fact, brought about improvements in community stability and some improvement in community housing patterns.

Another thing we are very much interested in is that on review of over 150 studies of desegregation efforts, what becomes apparent is that the success of desegregation programs is differential. That is, if there is a well-planned plan implemented, it is successful. And in more than half of the studies, there was improved achievement for minority children. In no instance were any white children penalized in terms of their achievement. It did not go down, as many people feared.

And in general, while I don't think desegregation is a panacea to improving the quality of education, certainly, it is one of the efforts for insuring quality education for all children.

With respect to title IV of the Civil Rights Act, title IV has played a remarkable role in moving the States and local agencies toward understanding equal opportunity. The issue that will face us in the future and faces us now, is that it is one thing to know what equal opportunity means, theoretically—it is a different thing to implement the policies, practices, and procedures which are essential for providing it.

Title IV is limited in that it provides a national network of training and technical assistance to educational personnel. It has been important particularly as it has impacted upon States. We now give 87 grants to States, and it has been that mechanism that has provided a major point of departure in increasing the role of the State agencies.

PUBLIC OPINION ON BUSING

Senator INOUYE. I am certain you are aware that recent public opinion polls have indicated that a large segment of our populace is against busing as a means to hasten and facilitate desegregation. How does public opinion affect your programs?

Dr. MCCUNE. Senator, none of the funds are provided for busing. Under the legislation it is not permitted, so we have never supported transportation costs. So I do not think it will have much to do with that.

Senator INOUYE. I have many other questions, but I would now like to yield to Senator Abdnor.

CATEGORICAL PROGRAMS IN CONSOLIDATION

Senator ABDNOR. Thank you, Mr. Chairman. How many of the categorical grants are we talking about in these particular educational areas?

Ms. HARRISON. Last year we made 525 awards under ESAA, and we made 300 under title IV of the Civil Rights Act. There is a combination of 11 different programs in ESAA and 4 different programs in title IV. These two will be split between the two block grants, some in the LEA block and some in the State agency block.

Senator ABDNOR. But there are four catgories.

Ms. CHRISTENSEN. The four categories in the local education block will be disadvantaged children, handicapped children, children in schools undergoing desegregation, and adult illiterates. These will be the four major categories for which the local education agencies will have to use the money. And certain of the programs from this emergency school aid account will go into this particular block grant.

Senator ABDNOR. Where will the rest go?

Ms. CHRISTENSEN. Into the State education block grant. The State education block grant will have three main purposes. One will be to take care of children who are the primary responsibility of State agencies. That is, neglected, delinquent, and handicapped children in State agencies.

The second major purpose will be to strengthen and improve the administration and management of the State agencies themselves, such as the title V–B program now.

The third purpose will be school improvement activities at the local level. We will leave it up to the discretion of the States to decide what they want to do, and where they want that money to go. There would be activities such as teacher training, curriculum development, model development, and things like that, that are currently funded at the Federal level. And a portion of this emergency school aid money goes for model projects and things of a one-time nature—such as educational television and radio. Those programs would go to the State block grant, whereas, the others, the major portion of the account—grants to local education agencies—will be in the LEA block grant to help those agencies.

FLEXIBILITY IN BLOCK GRANTS

Senator ABDNOR. In the four categories, is there a certain amount of the grant that goes into any one of the four, or is there flexibility within the four?

Ms. CHRISTENSEN. It would be up to the States to decide what mix. They could spend it all on disadvantaged, or they could keep the same distribution that they have now.

Senator ABDNOR. But there is so much that has to go into the four categories.

Ms. CHRISTENSEN. That particular specification has not been worked out yet. We don't know if there would be a minimum level that would have to be spent for the disadvantaged, for example.

Senator ABDNOR. Not for each group, but for the whole combined.

Ms. CHRISTENSEN. The whole combined block grant would have to be used for those particular types of children and adults. It is not just general aid.

FEDERAL EMPLOYMENT IN CONSOLIDATED PROGRAMS

Senator ABDNOR. When you were talking about administrating 225 programs, how many Federal employees were you talking about?

Dr. MCCUNE. The number of Federal employees who administer that program—we have approximately 92 at the moment in equal educational opportunities program, which is the unit that has primary responsibility for management of the Emergency School Aid Act and title IV.

Senator ABDNOR. Do you think this is going to be reduced? How much of the overall program do you think will be reduced in the administration under this proposal?

Dr. MCCUNE. It is difficult at this point to tell just what the numbers of staff would be under the block grant program. We would assume there would be a reduction of staff, of course.

Ms. CHRISTENSEN. There will be some reductions. We have not worked out any of those numbers yet with OMB. The block grants really would not take effect until fiscal year 1982. The bulk of the programs that go into block grants are advanced funded, so the money we are requesting for fiscal year 1982 will really support projects that start in school year 1982–83. This means that it will be at least fiscal year 1983 before we have any kind of a feel for what the staff reductions might be. There will be phase-out costs, for instance, which have not been estimated yet either.

ADMINISTRATIVE COSTS IN THE STATES

Senator ABDNOR. I may stand corrected, but I'm sure that I heard Stockman say that 15 percent of the money was lost before it ever gets to the State level.

Ms. CHRISTENSEN. There has been a figure of 13 percent that he used in his factsheets which said that—and it is a very rough estimate—about 13 percent of the total of all of these funds going into block grants are now used at the State and local levels for administration. There they are taken off the top before they get to the children.

Senator ABDNOR. I think the President said something in his message to Congress about it. I will check that out.

I have no further questions, Mr. Chairman.

Senator INOUYE. Thank you.

MAGNET SCHOOLS

Dr. Rodriguez, you have indicated that magnet schools have a great potential for encouraging voluntary desegregation and improving the quality of the school system.

Just for the record, what is a magnet school?

Dr. RODRIGUEZ. A magnet school is a program designed around a particular theme. It may be an academic theme. It might be a theme around the arts. It is designed to attract youngsters from all quarters of a school district to participate in that program.

In some cases a school is a complete magnet. That is, all children attending that school are attending because of its special feature.

In other cases we fund programs or schools that have a magnet component. For example, in the San Fernando Valley in the Los Angeles School District there is a school that has a television studio. They have a television technology theme operating in that school, but it only attracts a certain percentage of the total school enrollment for that purpose.

Senator INOUYE. How many magnet school projects are presently being funded by ESAA grants in category grants for magnet schools and other basic State grants?

Dr. MCCUNE. There are 80 awards provided under the magnet school program. There are other magnet schools funded under the basic grants program as part of a comprehensive desegregation plan.

Senator INOUYE. A total of how many?

Dr. MCCUNE. We would estimate 115 or 120.

Senator INOUYE. Are any school districts developing these magnet schools without Federal assistance?

Dr. MCCUNE. Yes; there are a number of school districts funding a combination of Federal and local. I think the magnet school concept is popular enough that it is being used as part of the local budget.

At this time I really couldn't tell you how many are doing it solely without Federal funds.

Dr. RODRIGUEZ. Los Angeles has a number of schools that are magnet schools that are not federally funded.

Senator INOUYE. Do you think that the ESAA magnet school grants should be provided to private schools for desegregation purposes?

Dr. RODRIGUEZ. The opportunities to participate in a magnet school are open to nonpublic school youngsters. But unless the statute were changed I don't believe we could fund nonpublic schools for magnet school purposes.

EXTENT OF ESAA FUNDING PROVIDED

Senator INOUYE. According to records that you have provided the subcommittee there are certain school districts which have received ESAA basic grants for 8 straight years. One would think that maybe 2 or 3 years would be the maximum and they could carry on from there. But was this grant program meant to be a permanent assistance program?

Dr. MCCUNE. No; it was never intended to be a permanent assistance program. However, the whole theory of desegregation is premised on the concept that there is a stable community. We know that isn't the case, that the numbers of minority children in many of the cities particularly are increasing very dramatically.

I think the fact that many of the school districts have been funded for a number of years reflects the fact that we have had dramatic changes in the demographics of cities—particularly in urban schools.

As an example I would point out the city of New Orleans, which at the time the plan was enacted some 12 years ago had a minority population of 30 percent. Today it is 80 percent.

Obviously any plan to desegregate has had to be modified, and there have been continuing problems. That is true for a great many of our school districts.

AWARDS TO DISTRICTS UNDER INVESTIGATION

Senator INOUYE. How is it possible that 18 school districts awarded general grants in fiscal 1980 were also districts on the list the Civil Rights Office had prepared identifying 100 districts in the country that warranted investigation for desegregation?

Dr. MCCUNE. The Emergency School Aid Act is unique. It is the only Federal program that requires a pre-award civil rights compliance review.

That review has two aspects to it. The first aspect is that there has to be plan eligibility. A number of the districts were originally sent what we call an ineligibility letter on the basis of the plan itself, its authenticity—whether it was up to date according to the court orders at that particular time and in fact whether it really was a plan.

The second civil rights compliance review is on violations of title VI of the Civil Rights Act. Districts are cited as ineligible if there has been a violation. If there has been a violation they receive a letter of ineligibility. But if they come in with a plan for remedying the discrimination, they can apply for a waiver.

The 18 districts you are talking about are those districts that came in with requests for waivers, which they were granted on the basis of plans which were negotiated with the districts.

Senator INOUYE. Are you satisfied that these plans are feasible and will be carried out?

Dr. MCCUNE. In most instances, I would say "Yes."

Senator INOUYE. In most instances. But in some you are not?

Dr. McCUNE. I don't think it is a question of intent, Senator; I think it is a question of changing populations. One of the common violations is the nonprovision of bilingual services. That is a continuing issue, because a district may come in one year and negotiate a plan in good faith which would deal with the issues, but by next year you have 5 percent more minority non-English-speaking children, and they are out of compliance.

So it is a constant catch-up game for them.

Senator INOUYE. So it is a technical violation.

Dr. McCUNE. Yes; it is a technical violation.

REAPPORTIONING BASIC GRANT FUNDS

Senator INOUYE. Under the basic State grants program, if a State has more ESAA basic grant money than it needs, this money may be reapportioned to other States. How do you determine whether a State has more than it needs?

Dr. McCUNE. The original apportionment is on the basis of the number of minority children. Local district applications are reviewed by non-Federal readers and are subjected to an intensive administrative review. If the request for funds is less than the funds available, that would mean that we would have more in that State apportionment than we need. The same is true if the request for funds could not be supported. If, for example, the activities proposed are not linked to the desegregation plan, then it is conceivable that there would be less granted than the apportionment, and then those funds would be divided among the other States and apportioned again.

That happens in a relatively small number of cases.

IMPACT OF BASIC GRANTS IN THE DISTRICT OF COLUMBIA

Senator INOUYE. Are the ESAA basic grant funds primarily for desegregation?

Dr. McCUNE. Exclusively for desegregation or problems which arise incident to desegregation.

Senator INOUYE. I hate to pick on one jurisdiction, but if that is your definition, then I have a few questions.

In the District of Columbia fewer than 4 percent of the students are classified as nonminority.

Dr. McCUNE. That is correct.

Senator INOUYE. The District has been awarded ESAA basic grant funds for 8 years. How do these grants help the District to desegregate the schools?

Dr. McCUNE. The District of Columbia's eligibility was established some number of years ago. There has been some pairing of schools and some effort to desegregate schools.

Until 1978 the Emergency School Aid Act also included what we called a third purpose. Under that third purpose, it was possible to provide funds for children who were in racially isolated situations. Many of the years of funding for the District of Columbia schools were justified on the basis of that third purpose of the act, which was eliminated in the 1978 amendments.

The awards to the District have been reduced dramatically since 1978, and we now provide a smaller amount of funds to assist voluntary desegregation efforts and special projects.

Senator INOUYE. So the funds are not used for desegregation purposes?

Dr. McCUNE. They are now. At one time we defined desegregation differently. And it was not only the District of Columbia, but there were a great many schools that were what we called racially isolated schools which are not eligible for funding, although those problems continue to exist.

ESAA TELEVISION AND RADIO

Senator INOUYE. I would like to now touch upon educational television. For a number of years we have subsidized educational television and radio programs designed to change attitudes about desegregation. Have any of these programs been picked up by any commercial producer?

Mr. BLAND. Mostly, they have not. One of the parts of the law indicates that these shows cannot be shown on commercial television for profit. That is one of the reasons that commercial stations and commercial producers have chosen not to get involved with them.

In the main, our shows are shown on public televison stations.

Senator INOUYE. Can't they use it as part of their public service?

Mr. BLAND. They have. In fact, we know we are in competition with a lot of other materials. So we have a contractor who promotes the shows to commercial stations. We are having some success in getting them to run these shows, although they are not making money on them.

Senator INOUYE. Under the block grant proposal are you satisfied that the educational television and radio activities will be continued to be funded?

Mr. BLAND. I am not sure. The plan is for these funds to go to the States. In the main, the more experienced people in the area of television tend to be in larger cities such as New York and California. I don't know exactly what the impact of this will be in putting these dollars into States all across the country.

Ms. CHRISTENSEN. The authority will be there and the funds will be there. But it would be up to the States to decide themselves what they want to do.

Senator INOUYE. They can spend $100 if they want to.

Ms. CHRISTENSEN. That is correct.

Senator INOUYE. Or $100,000.

Ms. CHRISTENSEN. That is correct.

Senator INOUYE. What do you think they will spend? $100 or $100,000?

Ms. CHRISTENSEN. I think in the areas where there are exceptional need that they would spend $100,000.

Senator INOUYE. What are these areas of exceptional need?

Ms. CHRISTENSEN. In the areas of the country where there is a need for it, such as the urban areas where there is probably much more of a need to get these kinds of things on public broadcasting.

Senator INOUYE. And the States will decide whether there is a need or not a need.

Ms. CHRISTENSEN. Yes.

Ms. HARRISON. It is also possible that they may use these funds for programing having within-school use rather than doing them in the context of larger public television. At one time we used money to develop shows which could be used by teachers in the classrooms.

That perhaps would be a way the States would choose to use the money rather than having it on public television.

Senator INOUYE. It is for public dissemination?

Ms. HARRISON. It is. It can be. It can also have a within-school component. It is conceivable the States will find that is the way to best use the funds.

TEACHER TRAINING

Senator INOUYE. Some of the grants have been used for desegregation-related training of teachers. What exactly is this type of training?

Dr. MCCUNE. Perhaps the most difficult part of desegregation is the fact that it requires an almost complete resocialization of educational personnel. Once you have completed the physical desegregation process then there is a retraining of educational personnel.

These programs typically train teachers and administrators in such things—in the case of administrators, it would be race-fair, sex-fair policies and procedures.

In the case of teachers it goes much more into student interaction patterns. We know there are differential patterns on the basis of race, national origin, and sex. It goes into how to design race- and sex-fair curriculums.

BIAS IN SCHOOL CURRICULUMS

Senator INOUYE. Race-fair?

Dr. MCCUNE. Yes, race-fair and sex-fair curriculums.

Senator INOUYE. What is that?

Dr. MCCUNE. A number of things. The first component of it is to help people eliminate bias in the existing curriculum. We find that there are five or six different forms of consistent bias in the presentation of racial ethnic groups. First of all, they are invisible quite frequently. Second, they are shown in stereotypic roles.

You will often see Mexican-Americans portrayed as migrant workers and in no other roles, or you will see Asians portrayed in historical context.

Senator INOUYE. Like gardeners.

Dr. MCCUNE. Gardeners. Occasionally it will go the other way where you often see them portrayed as physicists. You would think that every Asian had gone into physics or into some form of science.

The other types of bias in textbooks would include such things as unreality. Frequently in counseling we find that students are told that any child can make it without being realistic about the problems of discrimination in society and the efforts that have been undertaken to eliminate discrimination.

Another form is isolation. We tend to pick people out of context or give part of the story. These are examples of bias in textbooks.

Senator INOUYE. How do you approach this problem in textbooks? Do you go to the publisher? Or do you go to the consumer?

Dr. McCUNE. We have tried to do both. I would point out it is important that you have multiple strategies. One of the strategies in the title IV program has been to train teachers.

A second related strategy is to work with State agencies, because 24 of the State agencies are textbook adoption States. We have tried to work with them in enforcement.

Senator INOUYE. Textbook adoption?

Dr. McCUNE. Yes; the State agency itself adopts those textbooks which can be used in the local schools. The State agency is a tremendously important screening device for the adoption of textbooks.

These are only a few of the examples of the complexities of really insuring that equal opportunities are delivered to all children.

Senator INOUYE. Are you people involved in the court case that is now being conducted in Sacramento?

Dr. McCUNE. We would not be involved in the actual litigation; no. I am not familiar with whether or not it involves these funds.

Senator INOUYE. Evolution versus the Bible.

Dr. McCUNE. We would not be involved.

Senator INOUYE. Doesn't that have an effect upon human relations?

Dr. McCUNE. We have not really had an opportunity to examine the full implications of that. We have not been involved in that case.

Senator INOUYE. I think you better. It will have a lasting effect, I would think.

Dr. McCUNE. I am sure that is true.

SUBMITTED QUESTIONS

Senator INOUYE. This has been a most interesting morning for me. I have learned a lot.

We have page after page of technical questions we would like to submit to you, Mr. Rodriguez, and your staff. And after March 10 we would like to meet you again when I am certain you will have another proposal before us. I think that is when the action will begin. This is just preliminary hors d'oeuvres, I would say.

So we will be submitting these questions to you for your consideration and response.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by the Subcommittee

BASIC GRANTS

Question: If a State has more ESAA Basic Grant money than it needs, this money may be reapportioned to other States. How much of the FY '80 general grant money was reapportioned to States where it was more needed?

Answer: In 1980, $3,210,309 was reapportioned to States with remaining unmet need because of insufficient demands in the States for which the funds were originally apportioned.

Question: If an eligible local educational agency in one State applies for a grant, might it receive funds even though its proposal is not as good as the proposal from a local educational agency in another State?

Answer: Yes. The State apportionment provision of the Emergency School Aid Act requires that funds apportioned for a State be used in that State if there are approvable applications requesting the funds. If there are funds remaining in a State after all approvable applications have been funded, those funds may be reapportioned for use in other States.

Question: How does the Department monitor the use of these grants?

Answer: The Department reviews all applications carefully to determine that the activities proposed match the needs assessed, that the activities do not duplicate State and/or local programs, and that the needs have not been met through previous grants. School districts are monitored in a variety of ways by Department of Education staff, including site visits, telephone contact, review of year-end reports, review of letters from the district (citizens, school personnel, associations, etc.) and through meetings conducted by the Department for technical assistance and dissemination purposes.

Question: Out of the roughly 133 school districts which have received money for eight years, describe what some of these districts have done with this money. Provide specific examples.

Answer: The following examples are intended to illustrate the use of ESAA Basic grant funds:

Amelia County, Virginia: Amelia has been under Court Order since 1968 when the single race schools were closed and reopened as integrated schools. In 1979, Amelia opened a middle school which redesigned the grade structure of that district.

Amelia received ESAA funds in 1971 and from 1974 to the present. Prior to 1980, funding was for reading and math supplemental services (teachers, aides, and materials).

The current project supports 2 counselors, 2 resource teachers, and 4 aides. Four components are funded:

- To improve student self concept and esteem. Guidance and counseling services.

- To facilitate racial harmony. Inservice training for teachers, aides, and administrators, as well as for support staff such as bus drivers, cafeteria workers, and secretaries.

- To increase multicultural understanding. Resource staff works with teachers and students, arranging presentations, selecting materials to be used, and encouraging open communications.

- To involve parents and community. Activities to gain support for integrated education and to train parents in helping their children.

The basic desegregation-related needs of Amelia in the current year are:

- Racial isolation still exists within and outside of the classroom -- in clubs, lunchrooms, sports, and classes, children are still separating themselves by race.

- The community and parents are not supportive of an integrated school system. Less than one quarter of the parents attend programs designed especially for them. There is active opposition to the public school system which has stimulated racial tension and mistrust. Community support needs to built to aid Amelia schools.

Broward County, Florida: Broward County's Court Order to desegregate its schools became law April, 1970. This law was implemented in September 1971. Attendance zones were established to eliminate as many all minority elementary schools as possible, and to ensure that each school had an instructional teaching staff ratio that reflected the racial composition of the District.

In the spring of 1971, it was found that achievement tests were higher for the non-minority white children than for the minority black children. Remedial programs were supported with ESAA funds for children needing them in the newly desegregated schools.

It was also found that formerly high achieving minority children were not doing as well in the desegregated schools as comparable minority children in remaining all minority schools. Training for teachers as well as special attention to those students helped to solve this problem.

Other activities included:

- Activities to encourage creative potential and to induce positive self-concepts among all students;

- Activities to enhance learning through a multi-media, multi-modal approach which both reinforces the student's basic program and provides a supplemental, differentiated curriculum.

- Inservice training in such areas as human relations, group dynamics, holistic education through creative thought processes in innovative curriculum development strategies to encourage creative thinking in children.

- A comprehensive affirmative action program designed to ensure equal opportunity in all hiring practices and proportional ratios of minority/non-minority staff in schools.

Question: Appropriations for Basic Grants to school districts have declined from $137,600,000 in FY 79 to $107,800,000 in both FY 1980 and FY 1981. Has this reduction helped to target ESAA money where it is most needed?

Answer: A reduction in Basic Grant appropriations reduces the amount going to States on an apportionment formula through within-State competition. During application review, priority is given to districts with more recent desegregation plans. All applications are sorted into three categories: Category I districts have implemented desegregation plans within the last three years; Category II districts within three to six years; and Category III districts in more than six years. Within each category, districts are ranked based on the net change in minority group isolation in the applicant's schools. The quality of the proposed application is taken into account in determining whether to fund the district and, if so, to what extent. Category I districts are funded before Category II districts and so on; and within categories, districts with higher ranks are funded first. Consequently, in States which have a mix of Category I, II, and III districts, the Basic Grant reduction may have resulted in no funding for Category III districts. In a State where all districts were Category III, the result of the reduction would have been funding of fewer such districts.

DESEGREGATION-RELATED NEEDS IN SCHOOL DISTRICTS

Question: Mr. Rodriguez, your testimony points out that some of the funds requested for the Emergency School Aid Act program will be made available to assist those school districts which continue to experience desegregation-related needs. Of the $251,343,000 requested for this program, how much will be targeted to these districts?

Answer: Basic Grants are available for school districts which are beyond the initial implementation phase of their desegregation-related needs. Because of recentness criteria, new and recent desegregation plans (Categories I and II) are funded before districts with older desegregation plans (Category III). In requesting funds, however, it is not possible to target a particular sum on any category and the amount of money that is available for Category III districts depends on the number of new and recent districts requesting assistance.

In 1980, about $47.5 million was awarded to Category III districts from the total appropriation of $107,800,000 for Basic Grants.

Question: What are some of those desegregation-related needs?

Answer: The long term desegregation needs of school districts vary according to a number of factors, the most important of which is demographic changes in the district. In many instances, the desegregation plan developed to solve one set of minority/majority enrollment problems becomes outdated and inadequate as the community and school populations change.

Examples of activities supported by ESAA in districts which initially desegregated some time ago include:

- Programs to deal with over-representation of minority students in suspensions, expulsions, or other disciplinary actions.
- Human relations programs to reduce racial discrimination among students, faculty and the community--using staff development, attidudinal surveys, one-to-one teacher/coordinator techniques, demonstrations.
- Programs to mobilize community support for the desegregation plan.
- Staff training in use of revised curricula, classroom management techniques, and teaching practices.
- Programs to enhance self-concept, attendance patterns, attitudinal problems, participation in extracurricular projects.
- Safety and security needs.
- Development of bias-free instructional materials.

BASIC STATE GRANTS FOR THE DISTRICT OF COLUMBIA

Question: For what specific programs does the District of Columbia use its ESAA money, and how does it help with desegregation?

Answer: There was considerable funding of basic skills activities in the initial years of the ESAA program. After the third purpose of the Act was eliminated in the Education Amendments of 1978 and such activities could no longer be supported, ESAA funds were concentrated in the Northwest section of Washington in schools where desegregation was possible, rather than in the 100 percent isolated schools.

The programs currently funded include: a life skills program, a multi-cultural enrichment program, and community outreach activities providing information to parents. ESAA funds have allowed some innovative projects to be supported, such as a performing arts program. The positive influence of such a program is most noticeable on the minority students participating. There are additional spin-off effects, such as better preparation to enter the world of work, which are currently under evaluation. What is important to note, however, is that while the District's enrollment has decreased over the past few years, the non-minority enrollment has remained somewhat stable. A number of factors may account for this stabilization; however, the ESAA program has been able to operate in a multi-racial setting.

Question: How meaningful is the concept of desegregation in a school system with so few non-minority students?

Answer: Desegregation in a school system that has 95 percent minority student enrollment may not be considered as effective as desegregation in a district having a more equal distribution of minority/non-minority children. However, like most large urban areas, the District has had to face the challenge of providing meaningful interracial experiences for its four thousand non-minority children on the one hand and improving the quality of education for the rest of the district.

SPECIAL PROGRAMS AND PROJECTS

Question: Last year, the committee reduced the appropriation for Special Programs and Projects by roughly $3 million. What effect if any, did the reduction have?

Answer: The rescission enacted by the Congress in 1980 reduced the funding of Special Programs and Projects from $95,769,999 to $92,019,000, a reduction of $3,750,000. The reduction was effected in Planning Grants, Pre-implementation Grants and grants to meet "severe unmet needs" for districts implementing a desegregation plan. The effect of the reduction in Planning and Pre-implementation Grants was offset by less than anticipated demand for these types of grants. The reduction in Severe Unmet Needs resulted in fewer districts being funded. All Category I districts were funded, but fewer Category II districts were.

Question: Where have these grant monies gone over the last few years? Which grant proposals have top priority?

Answer: Special Programs and Projects funds support the following purposes:

Out-of-cycle assistance--to assist local educational agencies to meet desegregation-related education needs that arise from the implementation of a qualifying plan adopted too late to serve as the basis for a Basic Grant application in the most recent competition.

Severe unmet needs--Basic Grant applicants in Categories I and II for which there were insufficient funds may receive grants from this funding source if adequate funds are appropriated.

Pre-implementation assistance--to help a local educational agency that has adopted but not yet implemented a required plan to prepare for the reassignment or children or faculty under the plan.

Planning grants--to assist local educational agencies with the development of a desegregation plan which will qualify for ESAA assistance.

Special discretionary assistance--to help a local educational agency meet an unexpected educational need that arose from the implementation of a qualifying plan after the deadline date for Basic Grant applications in the most recent competition.

Multicultural Arts--awards to State educational agencies to provide opportunities for interracial and intercultural communication and understanding to help meet the special needs incident to the implementation of a qualifying plan.

State education agency incentive grants--to help pay a portion of the cost to the State for activities related to the planning and implementation of voluntary desegregation plans.

Aid to the Territories--to help the Territories meet educational needs arising from minority group isolation.

Local educational agencies planning grants, pre-implementation grants and State educational agency incentive grants were added as a result of the Education Amendments of 1978. The primary target of Special Programs and Projects funds has been and continues to be school districts which adopt plans too late to apply for Basic Grants (out-of-cycle grants). These funds often make it possible for districts to begin implementation of desegregation plans in the following school year rather than having to wait for a whole funding cycle to receive a Basic Grant.

Question: What has been accomplished with this money over the last several years? Provide specific examples.

Answer: In the past years, Special Programs and Projects funds have supported Multicultural Arts projects, assistance to the Territories, Special Student Concerns Projects, Planning Grants and Pre-implementation Grants, and SEA Incentive Grants. Examples of these activities include:

- Special Student Concerns - Projects designed to reduce disproportionate suspensions, expulsions and disciplinary actions against minority children.
- Multicultural Arts Projects - Projects involving the use of arts and artists in schools to promote multicultural awareness, tolerance, and understanding.
- Planning Grants - Funds awarded to a school district on a one-time basis to assist in the development of a qualifying desegregation plan.

Question: One of the purposes for which Special Programs and Project grants may be awarded is "activities designed to meet the needs of minority group children of limited English language proficiency." Are any Special Programs and Projects grants being used for this purpose?

Answer: No, there are no current Special Programs and Projects grants awarded specifically for this purpose. It is possible, however, that school districts requesting assistance from Special Projects Out-of-Cycle awards funds would include some funds for bilingual education activities which were related to the district's desegregation plan. This could also be the case with Basic Grants awards in districts which include national origin components in their desegregation plan.

Question: How do you coordinate such awards with grants being made under the Bilingual Education Act?

Answer: The 1978 Education Amendments transferred the provisions and authorization for the ESAA Bilingual Education program to Title VII, ESEA, which includes other Bilingual Education programs. This was intended to minimize any duplication in the ESAA and ESEA programs. While there is no formal coordination, ESAA program officers keep abreast of Title VII, ESEA grants to avoid funding similar activities.

PRIVATE SCHOOL PARTICIPATION IN MAGNET SCHOOLS

Question: To what extent do you feel that ESAA magnet school grants, or perhaps any ESAA grants, could or should be used to promote minority group desegregation in private schools?

Answer: The Emergency School Aid Act regulations require that a local educational agency applying for assistance under the Act shall provide children enrolled in private nonprofit schools, and teachers and other educational staff employed in those schools, an opportunity to participate in the project on an equitable basis. However, a private school child, teacher, or other educational staff member may participate in the project only if his or her participation would assist in achieving the purposes of the Act. These requirements tie the funding of the private schools to the local educational agency's desegregation plan, not to a plan for the private schools alone. Consequently, it would be difficult to appropriately use ESAA funds under the current regulations in a within-school encouragement program unless that within-school desegregation of private schools had a positive benefit on a district-wide desegregation plan.

GRANTS TO NON-PROFIT ORGANIZATIONS

Question: Funding under Emergency School Aid for Grants to Non-Profit Organizations has fluctuated in the last several years. What has been the effect of these shifts in funding?

Answer: The effect of the shift in funding has been to fund fewer non-profit organizations than were funded in previous years. For example, in 1979, 215 NPOs were funded, with NPOs located throughout almost all of the States. In 1980, 39 NPOs in 19 States were funded.

Question: How have non-profit organizations effectively assisted in the desegregation effort? Provide specific examples.

Answer: The following are examples of the activities of non-profit organizations funded under the Emergency School Aid Act:

San Francisco School Volunteers - San Francisco, California. (FY 1980 funding $99,926). This organization works with students, teachers, parents and community groups in a desegregated school setting. Its scope of work is with 7 middle schools and 19 elementary schools (3000 students). With cooperative arrangements of the participants mentioned above, the students were provided experiences in affirmation of self and cultural identity, self-management training through problem solving, decision making and interpersonal skills plus motivation through expanded options and aspirations, academic assistance and understanding of the relevance of learning to their future. Unique cooperation of corporate business, labor and industry with schools and community (600-800 programs) made this a model program in a desegregated setting.

Metro-Detroit Youth Foundation - Detroit, Michigan. (FY 1980 funding $71,127). The overall project goal is to develop high school student leaders dedicated to helping Detroit implement its school desegregation plan. There are 5 target high schools. In these schools, 80 children are to receive 60 hours of leadership training reflecting the district's court order on comunity relations and student code of conduct. They will develop plans to improve discipline in their schools and work out problems relating to the implementation of those plans. In this process, these students will involve at least 15 faculty and 30 parents in their open meetings; they will present ideas to help implement the district desegregation order at the 5 schools. Three hundred students will convene to increase awareness, knowledge and support for the court order. Those students in the leadership program will increase their appreciation of other ethnic groups and races. Also these students will give monitoring feedback to the Detroit Public Schools, and related organizations.

Austin Alliance for Smooth Transition - Austin, Texas. (FY 1980 funding $58,120). There are no particular target schools. The Alliance is trying to quell rumors, calm unrest, and gain support for the 1980 desegregation plan affecting the entire Austin, Texas area. It plans to contact 50 community groups relating to integration, and encourage a community group effort to gain support for desegregation. They will work with another 20 community groups to develop desegregation programs for their memberships. Ten neighborhood coffees will be held. Business will pledge time off for parents to participate in conferences. It is hoped that 10,000 new persons will support the plan. The alliance will also maintain a resources information center (available free to public). They will distribute learning information and other desegregation materials free to all. Speeches, TV and radio shows, and newsletters will be used to establish reliable information sources to the public.

Genesee Ecumenical Ministries - Rochester, New York. (FY 1980 funding $200,397). This group supports Rochester's voluntary desegregation plan which involves reassignment of students to Magnet and Basic Grant schools. Their overall objectives are to provide reliable information about desegregation to the communities to encourage community support, and to encourage cooperation among school related groups, staff, and community. There are several human relations/community liaison workers who work directly with parents and students with problems that arise in school. There is also human relations training for the staff and school personnel. The non-profit organization will host a hot-line from the community to the liaison workers to control rumors and problems. They will also recruit students for Magnet transfer participation.

ESAA TELEVISION AND RADIO PROGRAMMING

Question: The appropriation for Educational Television and Radio pays for programming to "encourage inter-racial and intercultural understanding." What exactly does this mean?

Answer: Programming that "encourages inter-racial and intercultural understanding" is television or radio programming that focuses on lifestyles and different aspects of the American experience with a view toward the positive diverse contributions of all races. As different races and cultural groups are brought to the attention of viewing and listening audiences, it is hoped that attitudes will change based on a greater understanding and acceptance of positive differences.

Question: What kind of programming has been produced with this appropriation?

Answer: Since 1972, the ESAA Television and Radio program has provided for the production of 28 television series or 1,014 half-hour television shows. There is a range in the total series in both content and format--from drama to comedy skits, from lively music to film documentaries. All are designed to reach viewing audiences of tots, teens and parents consisting of a variety of ethnic and racial backgrounds. The series may further be divided into Hispanic programs, Native American, Asian-American, Black Americans, Franco-American, and cross-cultural program packages.

Question: What proportion of the potential audience are you reaching with this Educational Television and Radio programming?

Answer: Exact figures are unavailable. However, consistent with the legislation, the ESAA Television and Radio program attempts to support the overall ESAA mission by concentrating its efforts in areas with high concentrations of ESAA-supported school populations. The current marketing focus on the top 100 television and radio markets covers more than 70 percent of all ESAA-supported schools and target communities. The flexibility of our regulations, which allow unrestricted taping of the shows off the air for re-broadcast and educational purposes, may well give us a greater than 80 percent saturation of the potential audience.

Question: What has this programming accomplished?

Answer: ESAA Television has filled a void in children's television programming. The nationally acclaimed and ESAA-supported Hispanic series, "Villa Alegre," represents the first and major children's program designed for our growing Hispanic population. "Villa Alegre," "Vegetable Soup" and many other ESAA shows have won national awards and the total ESAA collection provides more than 30 percent of all children's programming distributed on the Public Broadcasting Service's national feed. Additionally, prior to the ESAA shows, television offered few positive role models for minority children. ESAA programs incorporate a feeling of worth, accomplishment and value that minorities can view and from which they can learn. Similarly, there is value in having the major culture learn about minorities as a process for facilitating the desegregation effort.

A residual benefit of the program has been the unique training and job opportunities it has provided for over 200 minority actors, camera persons, writers, directors, and sound technicians who have found jobs at major studios throughout the country.

Question: The 1982 Budget would provided $6,450,000 for educational television and radio, which is the same level as 1981. The Department reports that viewership percentages for these programs were less than 3.0 last year. How can the Department justify continuing this program, given its poor ratings?

Answer: We do not know the source of the 3 percent figure. By law, the ESAA shows are to be made available without commercial sponsorship. Consequently they have not been attractive to commercial stations, which limited them almost exclusively to public stations. A program decision three years ago to actively promote the ESAA shows among commercial stations is finally catching on and more commercial stations are now showing them. ESAA-supported schools are located in certain parts of the country and that is where we have promoted the series.

The quality of all ESAA productions has steadily improved. Such programs as "Villa Alegre", "From Jumpstreet" and "Up and Coming" are shown on a large number of stations each week.

Question: Can't the underlying message of these shows be integrated into other more nationally-recognized productions, also funded elsewhere by the Department, such as "Sesame Street" and "The Electric Company"? These shows have consistently high ratings and are used as educational tools throughout the country, with a viewing and listening audience of 32 million.

Answer: The underlying message of the ESAA shows is one which independent producers have failed to capture. As of October 1, 1981, there will be no Federal support or involvement in the "Sesame Street" and "The Electric Company" productions. Even if this were not the case, First Amendment considerations would not permit us to influence or modify the content and design of these productions.

TITLE IV - TRAINING AND ADVISORY SERVICES

Question: Appropriations under Title IV of the Civil Rights Act are for training and support of personnel who deal with discrimination on the basis of race, sex, and language. How are grants under this appropriation distributed?

Answer: Grants under this program are distributed in separate competitions for each of the following categories of grants:

- o Desegregation assistance centers for race, sex, and national origin desegregation.
- o State educational agencies for race, sex, and national origin desegregation.
- o Training institutes for race and sex desegregation.
- o Grants to school boards for race, sex, and national origin desegregation.

Funds for each category of grants are allocated according to the needs in each area, other Federal resources available to meet those needs, the demand for assistance, and the total number of grantees expected to be funded.

Question: How effective are these grants?

Answer: Title IV assistance has been an important source of training and technical assistance for school districts desegregating by race, sex, or national origin desegregation. During the late 1960's these grants helped many school districts in the initial development of their desegregation plans and then provided the technical assistance necessary to carry it out. In later years, the technical assistance and training was focused on "second-generation" human-relations training intended to address attitudinal and community relations problems. Currently, the program places emphasis on not only desegregation-related problems, but the more subtle forms of race, sex, and national origin discrimination as well.

A 1977 study of the Title IV program by the Rand Corporation indicated that there were certain conditions necessary to conduct the most effective Title IV program. Among these were commitment of the Chief State School Officer, a stronger emphasis on the desegregated districts first. Changes made to program regulations in 1978 encompassed these recommendations and the Title IV program now provides comprehensive race, sex, and national technical assistance and training efforts.

SUBCOMMITTEE RECESS

Senator INOUYE. We will stand in recess until 2 p.m. this afternoon when we will receive testimony on vocational education and library services.

Dr. RODRIGUEZ. Thank you, Mr. Chairman.

[Whereupon, at 11:45 a.m., Tuesday, March 3, the subcommittee was recessed, to reconvene at 2:05 p.m. this same day.]

(Afternoon Session, 2:05 p.m., Tuesday, March 3, 1981)

Office of Libraries and Learning Technologies

STATEMENT OF DICK HAYS, ACTING ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:

ROBERT KLASSEN, CHIEF, PROGRAM COORDINATION STAFF
MALCOLM DAVIS, DIRECTOR, DIVISION OF EDUCATIONAL TECHNOLOGY
RAY FRY, DIRECTOR, DIVISION OF LIBRARY PROGRAMS
SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET
ARTHUR SHEEKEY, ACTING DIRECTOR, BUDGET OFFICE, OERI

EDUCATIONAL RESEARCH AND IMPROVEMENT OVERVIEW

Senator Chiles [presiding]. This afternoon, the Department of Education hearings will cover budgeting for libraries and learning resources and vocational and adult education. We will hear first about libraries, and we welcome Dick Hays, the Acting Assistant Secretary for Educational Research and Improvement.

Mr. Hays, we would appreciate it if you would introduce the other members of your panel before proceeding with your overview statement.

INTRODUCTION OF ASSOCIATES

Mr. Hays. I'd be delighted, Mr. Chairman. On my extreme right is Mrs. Sally Christensen, who is the Acting Assistant Secretary for Planning and Budget. Next to Mrs. Christensen is Robert Klassen, who is the Chief of the Planning and Coordination Unit in the Office of Libraries and Learning Technologies. Sitting next to me on my right is Dr. Malcolm Davis, who is the Director of the Division of Educational Technology. Sitting next to me on my left is Mr. Ray Fry, who is the Division Director for Library Programs, and on my extreme left is Dr. Arthur Sheekey, who is Acting Director of the Budget Office in the Office of Educational Research and Improvement.

Mr. Chairman, I'm here for two reasons this afternoon. First, if I may, I'd like to give you a brief overview of the Office of Educational Research and Improvement, and following that, I'd be pleased to give you a brief summary of our opening statement for libraries and learning technologies, and we would be pleased to answer any questions that you may have.

[The statement follows:]

STATEMENT OF DICK HAYS

I welcome this opportunity to provide the Committee with a brief overview of the Office of Educational Research and Improvement (OERI) and to explain the budget request for research and improvement programs. This Office was created by Congress last year as part of the Act establishing the Department of Education. Its mission is to coordinate all Departmental functions relating to research, development, dissemination, evaluation, and assessment activities.

This Office administers more than 40 separate discretionary and formula grant programs, nearly a third of the Department's programs. However, the total 1981 budget for these programs ($503 million) accounts for only 3.6 percent of the entire Departmental budget. One half of the OERI budget, or $257 million, consists of library assistance programs. The remaining programs relate to research and improvement, that is, grant and contract activities which support surveys, studies, inservice training, dissemination and demonstration projects. The programs deal with all levels of education, preschool through adult continuing education, including nontraditional approaches, such as support for educational television and radio programming.

The 1981 request for programs in the Office of Educational Research and Improvement includes a $17.4 million supplemental--$4.9 million for conducting new research; $3.5 million for postsecondary improvement grants; $4.0 million for dissemination (NDN) and $5.0 million to help school districts and colleges develop new programs for increasing educational opportunities for girls and women. A $2 million rescission is requested for the Territorial Teacher Training program.

The 1982 budget request involves a total budget of $563 million, a $60 million, or 12 percent increase, above the 1981 estimate. Let me now briefly identify the priorities and the initiatives for the Office of Educational Research and Improvement in 1982.

Priorities

During the past year, the Office of Educational Research and Improvement focused much of its energy and attention on two principal matters. The first was last year's Congressional mandate for improving the management and coordination of small discretionary grant activities. A tentative organizational arrangement was developed, including plans for consolidating a number of programs, offices and activities. The second priority, closely related to the management improvement objectives, dealt with an effort to concentrate available funds on a few critical national educational problems. This necessarily reduced priority for other activities; approximately 20 programs were held level, or eliminated. The budget emphasizes the following four special initiatives:

1. Basic Skills Improvement ($84.3 million). To complement the $41.5 million requested for activities authorized by the Basic Skills Act, high priority was given to a number of NIE-directed Teaching and Learning studies ($42.8 million) aimed at improving the use of tests, developing cognitive skills, and promoting effective writing.

2. Science and Technology ($13 million included in nine OERI accounts). These funds represent increases above the 1981 request level. They respond to the very serious declines in science and mathematics achievement, and they represent a joint response (with NSF) to the Science and Engineering Education Report submitted to the President last year.

Science and math budget increases focus on dissemination and professional development aimed at helping elementary school children and adults. A number of cooperative efforts between the Department's programs and NSF's Education Directorate were designed to encourage greater involvement of scientists and the private sector in science education.

3. Locally-Directed Programs ($54.2 million). Funding is requested for NIE Policy and Organizational Studies ($16.5 million), for the National Diffusion Network ($17.3 million), and for the Fund for the Improvement of Postsecondary Education ($20.4 million), to give greater support to helping schools and colleges adjust to meet the changing needs of students and improve their institutional and financial practices.

   Emphasis would be on projects that involve sharing and pooling local and community educational resources.

4. Extending the Quality of Library Services ($263.9 million, an increase of $6.3 million). Increasing information requirements in the decades ahead will increase demands for services offered by libraries. Although these institutions are generally under local or private control, Federal funding is requested to increase access to these institutions. In addition, the budget request for libraries places greater emphasis on research, development, training, and incentive grants to promote interlibrary sharing and the development of new technologies and services that will help libraries reach a wider sector of the population. To accomplish this, $6.3 million above the 1981 budget for libraries is requested.

The OERI budget requests also reflect increased priority to functional categories such as basic research ($2.2 million), applied research and development ($13.7 million), professional development ($13.3 million) and dissemination ($9.6 million). These were designed to support leadership in providing useful information and technical assistance services to State, local and private educational agencies.

Let me conclude by saying that the Office of Educational Research and Improvement provides an opportunity for examining the relationships of many interrelated discretionary programs and for identifying opportunities for redirecting them to assist with those problems which State, local or private educational institutions cannot address effectively alone.

Major changes in the educational enterprise will take place over the next decade. Investments in research and improvement activities directed to schools, colleges and libraries could pay off in greater efficiency and advances in educational quality. With limited resources and difficult choices ahead, State and local educational officials may welcome some national leadership in this area.

My colleagues and I will be happy to answer any questions you may have.

Biographical Sketch

NAME : Dick Warren Hays

POSITION : Acting Assistant Secretary, Office of Educational Research and Improvement

BIRTHPLACE AND DATE : Holtville, California, October 7, 1933

EDUCATION : Orange Coast College, California, A.A., 1953
University of Redlands, California, B.A., 1956
University of California, M.P.A., 1959
Michigan State University, Advanced Graduate Study, 1960-61
University of California, Doctoral Program, 1961-62

EXPERIENCE

PRESENT : Acting Assistant Secretary, Office of Educational Research and Improvement
Deputy Assistant Secretary, Office of Libraries and Learning Technologies

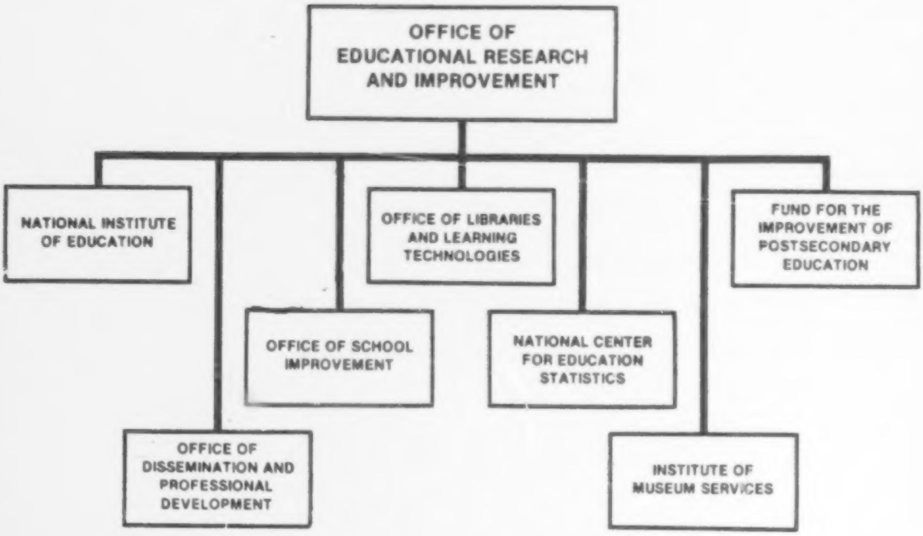
1975-1976 : Associate Deputy Commissioner, Bureau of Elementary and Secondary Education
1973-1975 : Acting Director, Division of Library Programs
1970-1973 : Assistant Commissioner for Special Concerns
1969-1970 : Director for Intra-Departmental Educational Affairs, Office of the Assistant Secretary/Commissioner of Education, DHEW
1968-1969 : Senior Program Analyst, Office of Assistant Secretary for Planning and Evaluation, DHEW
1967-1968 : Senior Program Analyst, Management Sciences, Stanford Research Institute
1966-1967 : Director, Financial Management Education and Information, Office of Assistant Secretary for Defense/Comptroller
1965-1966 : Staff Analyst, Office of Assistant Secretary of Defense/Comptroller
1964-1965 : Social Science Analyst, U.S. Naval Ordnance Test Station, China Lake, California
1956-1964 : Management Analyst, U.S. Naval Ordnance Test Station, China Lake, California

ASSOCIATION MEMBERSHIPS : American Political Science Association
American Academy of Political and Social Science
American Society for Public Administration
Pi Gamma Mu

OFFICE OF EDUCATIONAL RESEARCH AND DEVELOPMENT

Mr. HAYS. To assist in the overview for the Office of Educational Research and Improvement, we have a chart here which shows and displays the component units of the office. This is a new office created by Congress as part of the Department of Education Organization Act.

[The chart follows:]


OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT
NATIONAL INSTITUTE OF EDUCATION
OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES
FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION
OFFICE OF SCHOOL IMPROVEMENT
NATIONAL CENTER FOR EDUCATION STATISTICS
OFFICE OF DISSEMINATION AND PROFESSIONAL DEVELOPMENT
INSTITUTE OF MUSEUM SERVICES

TRANSFER OF PROGRAMS

Mr. HAYS. As you can see, there are seven major units. These offices administer over 40 separate discretionary and categorical programs. The number of programs represents nearly one-third of the number of education programs transferred to the Department of Education; however, the total budget for the programs involves only a little over 3 percent of the Department's 1981 budget estimate.

OERI INITIATIVES

In establishing the budget for fiscal year 1982, there were five major priorities that we used to guide the office. We have a second chart which identifies these initiatives.

[The chart follows:]

OERI Initiatives & Strategies
FY 1982

INITIATIVES:

- **Basic Skills Improvement**
- **Science and Mathematics Learning**
- **Technology and Telecommunications Utilization**
- **Locally-Directed Institutional Changes**
- **Extending and Improving the Quality of Libraries**

STRATEGIES:

- **Research and Development**
- **Dissemination and Inservice Education**
- **Pooling Program Resources**
- **Encouraging Linkages Among Educational Service Agencies**
- **Flexible Grant-Making Procedures**

INCREASE IN BUDGET

Mr. HAYS. We propose to handle these initiatives with an increase of $60 million, and that $60 million represents an 11-percent increase over the 1981 budget request, and if approved, the Office of Educational Research and Improvement budget will rise from $503 to $563 million in 1982.

The five initiatives include the following. First, the basic skills improvement initiative involves a total of $84 million. The funds include the basic skills improvement program and teaching and learning studies in the National Institute of Education.

The second major initiative is the science and math learning activity and includes a $13 million package with funds included in nine separate programs in the Office. This initiative was developed in cooperation with the National Science Foundation. It addresses serious concerns about declining student achievement in math and science. Emphasis is given to in-service needs of elementary schoolteachers, particularly in using new and updated materials and increasing public awareness of the need to promote excellence.

Three, the technology and telecommunications request, which involves most of the Office of Educational Research and Improvement units, includes new funds for educational television programing and demonstration of electronic technologies to teach basic skills. Also included are the library research and demonstration projects and additional projects for the fund for the improvement of postsecondary education.

The fourth area, locally directed programs—a set of requests included in the fourth of our five initiatives—are designed to meet more immediate needs in both the school systems and colleges that are serving a changing student body.

No. 5, extending and improving all the library services is an initiative designed to meet the increased information requirements in the decades ahead. It places emphasis on promoting and encouraging interlibrary cooperation, on the preservation and use of important national collections, and on training library personnel to use the new information technologies effectively.

Each one of these initiatives requires a well-developed strategy. You have before you the strategies that we think will work best. Each of these new initiatives requires research and development in disseminating information to practitioners and school administrators. Emphasis is given to pooling research from OERI programs and encouraging flexibility in grant-making procedures.

In summary, let me say, the Office of Educational Research and Improvement represents a new entity in the Federal structure. In creating it, the Congress urged the consolidation and improved coordination of the many small and discretionary research and improvement grant programs. We believe there has been significant progress toward achieving that objective.

1982 BUDGET INCREASES FOR OERI

The last chart shows the proposed increases by the organizational units in the Office of Educational Research and Improvement.

[The chart follows:]

OERI Units

(Dollars in Millions)

	FY 1980	FY 1981	FY 1982	$ Change
National Institute of Education (NIE)	$ 74.1	$ 79.1	$ 84.0	+4.9
National Center for Education Statistics (NCES)	9.9	9.9	13.4	+3.5
Fund for the Improvement of Postsecondary Education (FIPSE)	13.5	17.0	20.4	+ 3.4
Minority Institution Science Improvement Program (MISIP)	5.0	5.0	5.6	+ .6
Dissemination and Professional Development (DPD)	44.5	46.5	67.3	+20.8
School improvement (SI)	64.8	69.9	82.4	+12.5
Libraries and Learning Technologies (LLT)	263.7	263.6	273.9	+ 10.3
Institute for Museum Services (IMS)	10.4	12.3	16.3	+ 4.0
TOTAL	$ 486	$ 503	$ 563	+ 60

OVERVIEW QUESTIONS

Mr. HAYS. If there are any questions on the overview, Mr. Chairman, we would be pleased to address those at this time or to continue with the opening statement for libraries and learning technologies, as you wish.

Senator CHILES. You can go ahead with your statement.

Mr. HAYS. Thank you.

[The statement follows:]

STATEMENT OF DICK HAYS

I am pleased to have the opportunity to appear before you to present the fiscal year 1982 budget request for the Libraries and Learning Technologies appropriation. These programs support a policy of: (1) broadening and increasing access to resources for learning in both traditional and nontraditional settings; (2) encouraging increased effectiveness in providing educational and informational services through research and development and use of information technologies; (3) providing opportunities for training in technological skills; (4) encouraging interlibrary cooperation among all types of libraries for increased citizen access to resources; and (5) providing leadership and support for the development and use of alternative educational delivery systems through television and other telecommunication systems. For these purposes, our request is $273,988,000, an increase of $10,333,000 above the 1981 amount.

Public Library Services

The request for the Public Library Services program under Title I of the Library Services and Construction Act is $62,500,000, the same as the 1981 level. The program will help State agencies in establishing, extending, and improving public library services with special emphasis on serving the blind and physically handicapped, the State institutionalized, the rural and urban disadvantaged persons, and those who have limited English-speaking ability.

The special needs of urban libraries are served through the urban library "trigger provision" which earmarks a portion of the funds above the $60,000,000 appropriation level for projects designed to strengthen the capabilities of urban libraries to serve as regional resource centers. This amount supplements the estimated 20 percent of this program's funds which already touch target population groups located in urban settings.

Interlibrary Cooperation

To support the sharing of library resources, $15 million is requested for the Interlibrary Cooperation program, an increase of $3 million over the 1981 level. The request highlights a continuing shift from the acquisition of library resources and materials to resource sharing among all types of libraries, thus serving better the needs of users. The request level would support approximately 325 cooperative library efforts, involving as many as 40 percent of the Nation's libraries.

The increase for this program is part of a larger strategy to promote a national network of library resources whereby the collections in one library are made readily accessible to other libraries. This is consistent with the resolutions passed at the White House Conference on Library and Information Services which independently voiced the need for such a policy.

School Libraries and Instructional Resources

The $171,000,000 requested for Title IV-B of the Elementary and Secondary Education Act is forward funded for school year 1982-83. It provides books, media materials, and other instructional equipment to almost all of the Nation's 16,000 school districts.

At this funding level, the same as in 1981, it will be possible to reach about 43,609,000 elementary and secondary school students including 4,209,000 private school students with the average per pupil expenditure of $3.92. Local education agencies have complete discretion in determining how the funds will be divided. About two-thirds of the funds are used for the purchase of library and instructional materials and one-third for the purchase of instructional equipment.

College Library Resources

The $4,988,000 request for College Library Resources under Title II-A of the Higher Education Act is the same as the 1981 level. The request is based on a plan to submit a proposed legislative change which will permit the awarding of fewer grants, based on the needs of the colleges. Specifically, the number of awards would be limited to about 800 institutions of higher education, compared to about 2,600 in 1981. Many of these institutions are community colleges and vocational or training institutions where these awards will assist them to upgrade and expand their collections to meet changing student needs.

Training and Demonstrations

The $1,000,000 request for Library Career Training is an increase of $333,000 over the 1981 level. This would support about 75 fellowships and 500 institute trainees in 12 institutions of higher education. With the addition of the institutes, which have not been funded since 1979, practicing librarians would be able to update their skills, particularly those needed to cope with advanced technologies in the field.

In the past, the training program has had considerable success through its fellowship grants in providing opportunities for minorities and women to upgrade the skills needed to assume higher level positions in library administration. Also, over 60 percent of the fellowships have assisted minorities in entering the profession.

The investment capital needed to promote new and cost-effective technologies in library services is supported in the request for $1,500,000 for Library Demonstrations, an increase of $1 million over 1981. Some of the recommendations regarding library service innovations coming out of the White House Conference on Library and Information Services are to be dealt with through the funding of about ten grants and/or contracts. These projects will be in areas relating to more effectively using information technology, expanding the educational uses of libraries, improving career education programs, and streamlining library and information services through appropriate networking and resource sharing concepts.

Research Libraries

For the Research Libraries program under Title II-C of the Higher Education Act, we are requesting $8,000,000, an increase of $2,000,000 over the 1981 level. These funds are used to complement the resource sharing strategies emphasized in the total library request. Up to 50 grants averaging $150,000 would be made to support 20,000 interlibrary loan transactions and the purchase of about 50,000 volumes to be added to unique resource collections. It is primarily through this program that research libraries are encouraged to expand the availability of these resources and continue building toward a national network of resource sharing.

Educational Television Programming

The Educational Television Programming activity represents a continuing effort to help children and adults learn in both formal and informal learning environments through the development, production, dissemination, and utilization of selected television productions. Major educational television series for assisting schools in basic skills were first funded in 1969 with the well known series "Sesame Street" and followed by "The Electric Company." In 1975, our programming authority was expanded beyond these Children's Television Workshop productions to include "Footsteps," "Music...Is," "DIAL A-L-C-O-H-O-L," "Jackson Junior High," and "3-2-1 Contact." At present, nearly 95 percent of the educational programs carried on PBS stations are supplied by this authority. Increasingly, schools are using these series in instructional programs as they become available in other video formats.

In order to expand and improve educational television and radio programming, $8,000,000 is requested, an increase of $2,000,000 over the 1981 level. Of these funds, $6,000,000 will be used to continue the support of efforts begun in previous years: $2,000,000 for the continuation of the series on mathematics and sciences for upper elementary and secondary school children; $1,000,000 for "3-2-1 Contact," a science series targeted for elementary school children; $2,000,000 to complete the parenting series begun in 1980; and $1,000,000 to complete the basic literacy series for adults. In addition, $1,000,000 will be used for utilization and distribution activities, including captioning TV programs for the deaf and the evaluation of our past efforts. The remaining $1,000,000 will be used to initiate a new television series intended for adolescents on the world of work and appropriate job skills.

Telecommunications Demonstrations

For the delivery of education and other social services through telecommunications technology, we are requesting $2,000,000. This request will support about ten awards for innovative applications of communications technology. The awards will support many diverse activities, ranging from the special adaptation of technology for deaf and other handicapped individuals to the distribution of key programming to elementary and secondary schools through cable TV.

Summary

This concludes my statement for the request of $273,988,000 for Libraries and Learning Technologies. My associates and I will be pleased to answer any questions you may have.

LIBRARIES AND LEARNING TECHNOLOGIES

Mr. HAYS. The budget request for libraries and learning technologies calls for $273 million which represents a 3.7-percent increase over 1981. These efforts would first broaden and increase access to learning resources, both in the school and in less traditional learning environments such as a public library and through educational television. They would also use R. & D. and information technologies to increase the effectiveness of libraries in the schools and to provide educational information services. These efforts would also provide opportunities for training in technological skills and encourage resource sharing among all libraries.

We know that access to American library resources varies depending on a number of factors—distance, residence, language, physical handicap, or other disadvantaged positions. This budget would attempt to promote increased access to libraries through interlibrary cooperation and to assure quality access so that use of libraries would be a reality for most of our citizens.

Public libraries, college libraries, and school libraries are specifically encouraged in this request to form resource-sharing and information linkages across institutional and geographical lines. Because there is a need to be assured that the strength of the major research library collections is behind these resource-sharing networks, this budget also supports increases for the research library program.

The investment capital needed to promote new and cost-effective techniques and technologies and library services will be supported by the library research and demonstration request in this budget. Significant changes have occurred in the pattern of library and information services through the use of computers and other cost-effective technologies. There is desperate need, however, to be assured that these library and information specialists have training in the use of these newer technologies for which support is sought under these authorities.

Our basic library resource acquisition programs are supported in this budget at the 1981 levels. That is, the public libraries services program, the college library program, and the school libraries and instructional resources program.

For the educational television activity which is a part of this appropriation, we are requesting support for efforts leading to the production, distribution, and utilization of selected television productions. These include a continuation of a series on math and science for upper elementary and secondary schoolchildren, a parenting series begun in 1980, a basic literacy series for adults, and continued support for the "3-2-1 Contact" program, a science series targeted on children. Other efforts will be made to enable children and adults to learn in both formal and informal learning environments in the manner in which both "Sesame Street" and "The Electric Company" have been used.

Further efforts to promote the applications of telecommunication technology to education and other people-oriented services through cable TV, microwave satellite, and other nonbroadcast technologies are also included in this budget.

My colleagues and I will be pleased to respond to any questions that you may have, sir.

IMPACT OF OERI IN REORGANIZATION

Senator CHILES. All right, sir. First to your budget on the OERI, you are talking about an increase of approximately $60 million there. How long have we combined the NIE and all of these into OERI?

Mr. HAYS. Well, the office was created on May 5 of this year, sir.

Senator CHILES. Part of the reorganization?

Mr. HAYS. That is correct.

Senator CHILES. OK. What we were reaching for and hoping for as part of the reorganization was, of course, if you were going to be able to combine some programs and save some dollars. From my chart or looking at it here, it looks like we put the programs together, but I don't know that I see any savings here. Am I missing something?

Mr. HAYS. Well, the chart here was to help you understand the presentations that would be made to you both today and over the next couple of days.

We feel that a number of significant improvements have been made in terms of pooling our resources and combining them, making sure that our investments are better served.

For example, across OERI we are going to be addressing matters related to science and technology, and this will require investments from most of our units. And we feel that there are a number of initiatives that combine and pool the resources. In fact, we have created a unit in the Office of the Assistant Secretary to assure better integration and cooperation among all of our programs, and we feel that this budget reflects that cooperation.

Senator CHILES. Well, you don't have any dollar savings, then, for being able to combine these programs.

Mr. HAYS. What we believe we have in terms of savings, sir, is that we are making better use of money; we're making sure that the funds are better targeted, and we have a better sense of direction and priority for the use of these moneys.

As you know, the money comes to us in various forms and through various statutes. We believe we've found some mechanisms here to make sure that we would have a better investment using the authorities that we have.

Senator CHILES. Do we have fewer personnel now than we had before we combined?

Mr. HAYS. Excuse me, sir?

Senator CHILES. Do we have fewer personnel?

Mr. HAYS. In the creation of the Office of Educational Research and Improvement, we had what was given to us on May 5. We feel that those resources in many cases were extremely limited. We were not given any positions to create the Office of the Assistant Secretary, so we have taken a few resources and have tried to distribute those among our programs for the best utilization possible. We feel that we have made good use of our people.

Ms. CHRISTENSEN. In general, Mr. Chairman, the Department has taken the 500-person reduction that was in our basic law, and that reduction has certainly been reflected in this organization, as it has across all of the Department.

Senator CHILES. So there are reductions here, as there are across the——

Ms. CHRISTENSEN. Absolutely.

Senator CHILES. Do you know how this is going to compare with the Reagan budget?

Mr. HAYS. No, sir; what we do have, of course, are the factsheets that were distributed by the Office of Management and Budget several weeks ago—several factsheets related to the budget that was presented to you. One indicated that there would be a 25-percent decrease in the funds for the National Institute of Education. The statement on block grants included a number of the programs that are within the Office of Educational Research and Improvement, particularly the Office of School Improvement. The block grant proposal that was in the factsheet would also include the basic skills and teacher corps programs.

COST OF LIBRARY BOOKS AND MATERIALS

Senator CHILES. According to recent reports on annual book and trade information, libraries were purchasing fewer books in recent years. The Carter administration proposed level funding of the public library services title I for fiscal year 1982 which would make it the third consecutive year at that level.

How is it taken into account, the impact of book prices, purchasing power, operating costs of libraries and public library programs?

Mr. HAYS. We feel that the budget request, particularly when you look at public library services, considering both titles I and III of the Library Services and Construction Act, does address just what you mentioned, Mr. Chairman.

The emphasis in our budget for the past 3 years has been interlibrary cooperation. We feel that there is no way at the Federal level that we can keep up with the rapidly escalating costs for books, periodicals, and other learning materials. The rate of increase for books is approximately 11 to 12 percent a year; periodicals, close to 16 to 18 percent; and we feel that the best way for the Federal Government to assist our public and other libraries is through resource sharing.

If you would look at our budget particularly over the last 2 years, that is the budget item that has been significantly increased. We feel that through institutional sharing there would not have to be the duplication of collections; we would find better ways of maximizing the resources that we have.

ACCESS TO PUBLIC LIBRARY SERVICES

Senator CHILES. What percent of the U.S. population currently has access to public libraries?

Mr. HAYS. Our latest estimate, sir, is that 96 percent of our population has access to public libraries today. This could be compared to 25 years ago when the first Library Services Act was passed. Our estimate at that time was 56 percent.

FUNDING FOR PUBLIC LIBRARIES

Senator CHILES. What percent of that budget is from the Department of Education and what percent is from State and local sources?

Mr. HAYS. Five percent of the funds going to the public libraries is from the Department of Education; 13 percent from State agencies; and 82 percent from local sources.

Senator CHILES. Given the fact that the Federal participation is only 5 percent, State and local are doing the rest, what impact would it have if we simply removed the Federal funding from libraries?

Mr. HAYS. We feel that the Library Services and Construction Act has had a significant impact through the years. A recent evaluation indicated that it had been the effective instrument for bringing library services to most of our Nation. It was the act that first authorized Federal funds for State leadership.

Senator CHILES. You think it's this 5 percent that gives the credit for going all the way from 50-something percent to 96 percent?

Mr. HAYS. The 5 percent, sir, has had a tremendous impact on encouraging States to be more supportive; 5 percent has been used in many cases as the investment capital to experiment and show how library services can be improved. It has been particularly significant at the State level for their leadership in designing the type of services that would best meet the States' requirements.

Senator CHILES. Given the fact that even—let's say that it was responsible for getting up to the 96 percent. Now that they're there, is there any reason to continue it now?

Mr. HAYS. Well, we feel that it is very timely to take another look at the Federal role in support of library services. As you may know, the Library Services and Construction Act comes up for renewal this fiscal year. Fiscal year 1982 would be the last funding year for the act in its present form. We feel it's very timely to take a look at that Federal role and we're in the process of doing so. I would feel though that the significant core unit to that Federal role in the future would be interlibrary cooperation and resource sharing. I believe the budget requests over the past few years have been reflecting a shift in the possible Federal role.

SCHOOL LIBRARIES AND INSTRUCTIONAL RESOURCES

Senator CHILES. What has been the effect of the level of funding over the past 2 years for—on the school libraries and instruction resource support?

Mr. HAYS. School libraries and media centers, as well as public libraries, have been hit by inflation, and the cost of providing materials and other instructional items has certainly gone up. What has happened, though, with the school library program is better targeting of the money that is available so that more money goes to school districts which have a higher tax rate, and school districts which have high-cost instruction, such as economically disadvantaged, handicapped, and rural areas. So we feel that with those priorities we have made a better allocation of the money that's available.

LIBRARY USE OF NEW TECHNOLOGY

Senator CHILES. I have been interested in the use of new technologies in various parts of our society, both to make services more productive, and to upgrade the skills of the workers in the use of new technology. What's the Federal program been doing to encourage libraries to expand from printed to electronic media and other advanced communication technologies?

Mr. HAYS. Our library programs and our programs in educational technologies both address that concern, Mr. Chairman. We try through technical assistance and other means to work with State and local people to determine how money can best be used. With the formula grant programs we have seen a great increase in use of those funds for technology-related purposes in both school and public libraries.

We also have the research and demonstration program which we hope can be the cutting edge in showing and helping people find out how these new technologies and software can be used effectively and efficiently. The training program for which we have asked for increased funding this year is to address technology efforts for people who are in the field providing the services.

Senator CHILES. We are delighted to have Senator Hatfield here, the chairman of our committee. Senator, we have just listened to the statement on libraries. We're at the point now in asking some questions on libraries. I note that you had some questions in here you were particularly interested in. Maybe you just want to pick up a couple of those question now?

Senator HATFIELD. Please don't let me interrupt, Mr. Chairman.

Senator CHILES. Go right ahead.

Senator HATFIELD. I'm grateful to Senator Chiles for letting me interrupt. I hope you had finished your statement.

Mr. HAYS. I believe I did, sir. Thank you.

PRESERVATION OF LIBRARY MATERIALS

Senator HATFIELD. Forgive me for not being here in time to hear your testimony. I shall avail myself to the printed word to familiarize myself with your statement. I have had some interest in the research libraries, the college library program, along with other facets of the library services.

Let me ask you, in your judgment, to what extent are funds being utilized today from the research library program for preserving existing collections? I don't know if you're familiar with that article which I read not too long ago about—I think it's called the "Quiet Disaster," that is occurring today in many of our repositories of documents and books because of our failure to maintain a system of conservation and preservation.

Mr. HAYS. As you have indicated, Senator, it's a key problem particularly for our major research libraries over the past 3 years. About 16 percent of our grants have gone into preservation projects, and we try to assure that institutions that are engaging in these projects make dissemination a key part of that. So, what is learned at one institution is shared with the others so that others may benefit.

Senator HATFIELD. On a regional basis you're developing such programs?

Mr. HAYS. No; not on a regional basis. The funding for the major research libraries is based on national competition. We have built into that national competition geographical conditions and we try to make sure that there is an equitable distribution of grants within regions. But preservation is not necessarily decided on a geographical basis. We find that there is very close communication within the research library community and we provided each one of our grantees with some funds to make sure that their findings are shared.

Senator HATFIELD. Do you have any estimates as to the amount of our present collection in libraries that are in danger say within the next decade or even today, for the lack of proper handling and conservation facilities?

Mr. HAYS. I do not have that information with me, Senator.

Senator HATFIELD. Would you supply that for the record?

Mr. HAYS. I'd be pleased to do so.

[The information follows:]

PRESERVATION OF MATERIALS

There is no reliable figure on the total number of books and other library materials that are in danger of deterioration because of improper handling, environmental pollution, and neglect. This universe could well encompass all of the estimated 2 billion books in this Nation's libraries. This is an issue that affects all libraries—regardless of size and location—from the smallest local historical society's collection of political records to the largest research collections preserving the first printed records of our culture. The paper that is in use today has a life expectancy of only 50 years, so this is a problem that must be addressed now through preservation activities, the training of skilled specialists, and further research, if we are to assure that the collections we are continuing to build will be available to future generations.

PLAN FOR FUNDING

Senator HATFIELD. Do you have any plan to prescribe a percentage or set aside or earmark a percentage of your funding for such purposes?

Mr. HAYS. Well, the research library program was reauthorized this past summer, we are in the process of trying to decide the posture and positions for the future. We have set up an elaborate procedure for discussing the issues with the community and seeing what we can do to make sure that this program will be addressing the major problems in a reasonable way. We are in the process of that evaluation and are in deliberations at this time.

Several issues are paramount in dealing with the distribution of the grants and how that distribution should be made. One is whether an institution should repeat several times. Another is what type of priority ought to be given to the various areas you suggested, such as bibliographic control, access, and collection development.

Senator HATFIELD. Do you have any funds that are set aside for training conservators? Are there sufficiently trained people in the library profession today who could, even if you had funding, provide you with person power and leadership and protective know-how to adopt and implement such conservation programs?

Mr. HAYS. We don't have an estimate on the need of people in that category. What we have done, mostly within institutions where they have identified that need, the research libraries program money can be used to train and educate people that they would have on their staffs.

ACCESS TO RESEARCH COLLECTIONS

Senator HATFIELD. How are funds used to make unique collections more accessible? In other words, do you have specific programs for developing higher utilization?

Mr. HAYS. Resource sharing is a key ingredient of all the grant awards made under this program, sir, and most of the major research libraries are part of a network, and we want to make sure that as collections are developed and expanded, those citations are entered into the record so that other institutions throughout the Nation can be aware and could share in that largess.

Senator HATFIELD. How many libraries will actually receive grants under the research libraries program in fiscal year 1981 current fiscal year?

Mr. HAYS. We estimate there will be approximately 40, sir.

COLLEGE AND RESEARCH LIBRARIES

Senator HATFIELD. Forty; and what is the relationship between the college library resources program and this program?

Mr. HAYS. The college library resources program in its present form is distributed and allocated equitably among all of those who apply and are deemed to be accredited postsecondary institutions. It operates more as an entitlement program. On the other hand, the research library program is one which engages in national competition. Proposals are written by the various research libraries and evaluated by a peer panel, and awards are made according to those evaluations and staff assessment.

Senator HATFIELD. One last question. Would you supply for the record, if you don't have it with you, a list of such libraries which have received grants and funding support from this program?

Mr. HAYS. We'd be pleased to do so.

[The information follows:]

RESEARCH LIBRARY AWARDS

The following institutions have received awards under the research library resources program:

University of Alaska; American Museum of National History; University of Arizona; Art Institute of Chicago; Boston Public Library; Brown University; University of California at Berkeley; University of Chicago; Colorado State University; Columbia University; Cornell University; Duke University; Folger Shakespeare Library; Harvard University; Henry E. Huntington Library and Art Gallery; University of Illinois; Indiana University; University of Kansas; University of Michigan; Missouri Botanical Garden; New York Public Library; New York State Education Department; University of North Carolina at Chapel Hill; Northwestern University; University of Pennsylvania; Princeton University; Rutgers University; University of Southern California; University of Texas at Austin; University of Virginia; University of Washington; University of Wisconsin at Madison; and Yale University.

CONCLUSION

Senator HATFIELD. Mr. Chairman, I'm appreciative of your willingness to let me inject a few questions here of special interest.

Senator CHILES. Thank you very much for your attendance, Mr. Chairman.

I notice Senator Specter is now in attendance here. We are dealing in particular with some questions on libraries right now, but also in the other provisions that are on our chart there, with the National Institute of Education and the National Center for Educational Statistics. Do you have questions with respect to it?

SUBMITTED QUESTIONS

Senator SPECTER. Thank you, Mr. Chairman, I do not at this moment. I just want to join in and hear the testimony and have some questions maybe at a future moment.

Senator CHILES. We appreciate your testimony. I think we'll go to our next panel now.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PUBLIC LIBRARY SERVICES

Question: How do you determine that 96 percent of the U.S. population has access to public library services and what standards are used to determine what is adequate service?

Answer: This figure is based on State reports of access to public library services. Each State has its own standard of determining access to library services and the adequacy of those services. There is a wide variety of standards used by the States in defining adequate service, but the standards are generally based on the population of the area being served and the type of library providing the service -- headquarters, branch or regional resource center, for example. Other criteria used to determine adequacy include per capita fiscal support, the volume and type of materials available, the hours of service, and library staffing patterns.

Question: The total fiscal 1980 appropriation for library services was $62.5 million. What portion of that funding went for books?

Answer: According to the latest available State reports, about 17 percent of the Fiscal Year 1979 appropriation of $62.5 million was spent on books. This should be true for Fiscal Year 1980 also.

Question: What portion of that funding was used for library staff salaries?

Answer: Approximately 49 percent was used for salaries and wages.

Question: Has there been a nation-wide evaluation of the States' use of Federal public library service funds? If so, what are these findings?

Answer: In January the Applied Management Sciences submitted their report on the evaluation of LSCA I, performed under contract to the U.S. Department of Education. The study indicated that the program has been effective in promoting many new public library services which have been incorporated later into basic services offered by public libraries. They also reported that the Federal involvement had not been a highly directive or controlling force. Among the specific AMS findings are that:

-Nearly half of all LSCA projects had some form of interlibrary cooperation involvement;
-The LSCA program has contributed significantly to the establishment of regional systems of public libraries and the strengthening of State Library Agencies;
-LSCA has promoted many community outreach services and introduced new technology and audiovisual techniques in providing these services;
-LSCA has made a substantial contribution to establishing locally supported libraries since 1965, so that the issue of the lack of library coverage is really no longer an issue of national concern;

-LSCA has had unusual success in promoting a variety of library services to the blind and physically handicapped;
-LSCA funds are currently being used to meet program priorities through projects which are long-term in nature and not one-time demonstrations;
-The maintenance of effort and matching requirements stipulated by Congress for responding to the needs of blind and physically handicapped persons and institutionalized have had a positive influence on obtaining important State and local support; and
-The promotion of the legislated priority of "improving the adequacy of public library services" is the way most State libraries justify their LSCA expenditures.

URBAN LIBRARIES

Question: The 1977 Amendments to the Library Services and Construction Act authorized the targeting of certain funds to urban libraries when the appropriation for the program exceeded $60 million. How much has been allocated under this provision since it was first funded in fiscal 1980?

Answer: This provision was first funded in Fiscal Year 1979. There has been $2.5 million in the program in 1979 and another $2.5 million in 1980.

Question: What do the urban libraries do with these funds?

Answer: These libraries must use these funds to serve the library needs in a defined region in the State that is broader than their local jurisdiction and also meets the State evaluative criteria on collection strength and responsiveness to user needs. In Fiscal Year 1980 the Major Urban Resource Libraries (MURL) allotments were used to pay the costs of regional library networks involvement, computer searches, book carrier services, the acquisition of reference materials for regional and statewide interlibrary loan purposes, the preservation of library materials, and to provide basic collection development in support of their Statewide and regional library service responsibilities.

LIBRARY SERVICES FOR THE HANDICAPPED

Question: One of the resolutions passed by the White House Conference on Library and Information Services stated that disabled and hearing-impaired individuals need additional access to library and information services and facilities. To what extent are public libraries accommodating the handicapped?

Answer: Public libraries are involved in identifying handicapped persons in institutions and those functioning outside of institutions to determine what services are needed and to provide the necessary resources or make appropriate arrangements to provide services, equipment and materials.

The kinds of materials provided to the blind and visually handicapped are: books and magazines in other than print format -- on recordings, on tape, in Braille, and in large print -- and equipment needed to use the materials, including playback machines for recorded materials. State and public libraries are using high technology hardware such as the Kurzweil Reading Machine which enables the blind to "read" printed matter almost independently. Also provided are the receivers needed to hear Radio Reading Services broadcasts.

Many of the deaf and hearing impaired live at home. Each year a greater number of public librarians learn sign language and conduct signed programs for adults and children. Increasingly public libraries are installing TTD equipment to facilitate communications between the library and deaf persons. Captioned films are shown at libraries, and are broadcast over cable television channels.

In Fiscal Year 1979 LSCA expenditures by State and public libraries for service to disabled persons were nearly $4,000,000 (about 15% higher than in 1978). The expenditures of State and local funds exceeded $14,000,000.

Question: What is the cost to public libraries to remove architectural barriers?

Answer: According to a 1978 survey conducted by the American Library Association, there are over 8,000 public libraries needing modifications to make them accessible to the handicapped. The cost of these adjustments was estimated to be nearly $300 million. A 1980 survey of 2,800 libraries yielded an estimate of over $175 million.

LIBRARY SERVICES FOR SENIOR CITIZENS

Question: Extension services, although designed for the handicapped and homebound, could serve as prime sources of library service for senior citizens. How many libraries provide some form of extension services to senior citizens through book-mobiles, homebound service, personal nursing home service, and other methods?

Answer: It is estimated that over 6,000 public libraries are involved in extension projects to senior citizens. They use librarians, volunteer workers and more than 1600 bookmobiles to bring library services and programs to those senior citizens unable to come to a specific library location.

Question: What portion of the funds appropriated for public libraries provides assistance to the elderly?

Answer: In Fiscal Year 1979, the latest year for which actual expenditure reports are available, $1,050,000 of LSCA Title I funds were used to bring library services to 2.2 million persons over 60 years of age. This figure is derived from those projects that were aimed specifically at the aging or ones in which the aging were one of the primary targets.

In addition, many projects funded under Title I include the aging as one of their general populations to be served. It is estimated that 12% of the target groups served under Title I of LSCA are over 60 years of age.

FEDERAL FUNDING FOR LIBRARIES

Question: What other Federal funds are public libraries eligible to receive?

Answer: Public libraries are eligible for funding under other Federal programs such as General Revenue Sharing, Appalachia Regional Development, and Economic Development Act (Public Works). However, public libraries must compete with other institutions also eligible for funding under these programs.

Question: How much support has General Revenue Sharing provided to libraries?

Answer: General Revenue Sharing expenditures for libraries have not been calculated since Fiscal Year 1977. At that time, libraries received $79.7 million General Revenue Sharing funds, or approximately 1% of the total GRS expenditures.

Question: How much support for libraries comes from the National Endowment for the Humanities?

Answer: Two programs in the National Endowment for the Humanities provide support to libraries. The FY 1981 appropriation levels were $3.4 million for the Library Humanities program and $4.4 million for the Research Resources program.

INTERLIBRARY COOPERATION

Question: The Interlibrary Cooperation program provides State formula grants for the coordination of library resources of different types of libraries and to improve efficiency of the Nation's libraries. How do the increased costs of books and periodicals compare with the rate of inflation?

Answer: The average cost in 1980 for hardcover books was $23.57, and $34.54 for periodicals. This represents a 46 percent increase in book prices and a 74 percent increase for periodicals in the past five years, compared to a 53 percent increase in the Consumer Price Index for the same period of time.

Question: To what extent can interlibrary cooperation assist in reducing the need for the acquisition of new books and materials and thus reduce costs?

Answer: The Interlibrary Cooperation program funds can be used as a stimulus to bring different types of libraries together to share resources, to develop common sources of information, and to operate rapid communication systems to sharing library resources. With this type of cooperation individual libraries can collaborate in their collection development at a considerable cost savings.

Question: Why should participation in the Interlibrary Cooperation program remain a Federal responsibility?

Answer: Prior to Federal funding it was difficult and often impossible for State and local funds appropriated for the purposes of one type of library to be used in another governmental jurisdiction for another type of library. In many cases, the sharing of resources had to be demonstrated before there was full acceptance of such a cost-sharing arrangement. Federal funds under this program have led the way in developing these coordinative efforts and assisted in preventing a financial drain upon the large resource holding institutions. It has also enabled the State Library Agencies to take the lead in planning, implementing, and funding these cooperative efforts.

Question: Can you briefly describe the types of interlibrary networking and other cooperative activities to be funded under this program in the current fiscal year?

Answer: In Fiscal Year 1980 approximately 175 projects were supported with $5 million. These cooperative activities included:

		No. of States
1.	Interlibrary loan and reference networks	38
2.	Multi-State library network organizations	29
3.	Union lists/catalogs of library sources	25
4.	Educational programs promoting library cooperation	23
5.	Computer data banks	15
6.	Preparation of special subject lists or directories	9
7.	Planning activities relating to interlibrary cooperation	9
8.	In-State regional multitype cooperative library systems	8
9.	Processing centers for books and materials	5
10.	Automated circulation systems for library materials	6
11.	Book delivery systems	3

Question: To what extent do States and localities support the Interlibrary Cooperation program?

Answer: No matching funds are required from the States for this program. However, State and local contributions equalled nearly 150 percent of the Federal funding in fiscal year 1979.

Question: To what extent are college and university libraries interested in participating in the Interlibrary Cooperation program?

Answer: The States do not submit data under LSCA III on the number of college and university libraries participating in the Interlibrary Cooperation program.

The latest National Center for Educational Statistics "Survey of Library Networks and Cooperative Library Organizations" (1980) notes that 6,999 academic libraries (representing main campuses, branches and some duplicate memberships) are participants in formal library cooperative organizations.

Question: Can any funds in this program be used for the acquisition of books or for construction?

Answer: The law prohibits funds going to these purposes under this program.

SCHOOL LIBRARIES AND INSTRUCTIONAL RESOURCES

Question: The School Libraries and Instructional Resources program received the same level of funding for Fiscal 1981 as for Fiscal 1980 ($171 million). That level again was requested by the Carter Administration for Fiscal 1982. What was the average per pupil expenditure under this program in 1980?

Answer: State Educational Agencies spend about $6.7 million (4 percent) for administration of the program. This leaves an estimated average per pupil expenditure of $3.88.

Question: What do you expect it to be in 1981?

Answer: If level funding is continued, the amount would be roughly the same as 1980.

Question: How much do States contribute to school libraries and instructional resources?

Answer: A recent study of public school libraries conducted by the National Center for Education Statistics reports that States spend $330.9 million for library books, periodicals, microforms, audiovisual supplies and materials, and audiovisual equipment.

Question: The FY 1980 appropriation for the school libraries and instructional services was $171 million. How much of that amount will be directed to private school libraries?

Answer: An estimated $14.1 million (about 8.6 percent) of ESEA IV-B funds is spent for the benefit of students enrolled in private nonprofit elementary and secondary schools.

Question: What procedures have you established to award grants to private schools?

Answer: No grants are awarded to private schools. Funds are allocated to local educational agencies who consult with private school officials regarding the needs of private school children. Following this consultation an equitable share of funds is spent for the acquisitions requested by private school officials. These items remain the property of the local educational agency and are made available for the use of private school children on a loan basis. In three States -- Missouri, Nebraska, and Oklahoma -- States and local educational agencies are legally prohibited from administering the program for private school children. The Secretary of Education has made separate arrangements to provide private school children in these States with ESEA IV-B benefits.

Question: What percent of the school libraries and instructional resource funds are used for administrative costs?

Answer: Administrative costs for the past five years can be broken down as follows:

1976	$3,576,662	6.3 percent
1977	$4,513,772	3.5 percent
1978	$6,919,216	4.8 percent
1979	$6,708,062	4.5 percent
1980 est.	$6,708,062	4.0 percent

Question: In your opinion, should school libraries be allowed to use these funds for administrative costs in addition to the acquisition of library materials?

Answer: No. Local educational agencies now spend a small percentage of program funds for the costs of ordering, processing, cataloging, and delivering the acquisitions acquired under the Part B program. In our opinion, allowing use of Part B funds for local salaries would unnecessarily complicate the participation of private school children and direct use of funds for much needed instructional materials and equipment. Because of the strong need in almost all schools for up-to-date high quality library books and audiovisual materials and for such up-to-date equipment as video tape recorders, video tape players, and microcomputers, we feel that it is more appropriate for the Federal government to direct its assistance toward the provision of these items.

COLLEGE LIBRARIES

Question: I understand that the $5 million College Library Resources program produces a basic grant of approximately $1,900 per library. I am also told that there are no need-based criteria to determine how much each library receives. It does not seem to me that that level of funding can produce anything useful. Doesn't this sound like the kind of program we could eliminate entirely without hurting any individual library?

Answer: We share your concern in this regard and are trying to refocus the program to make awards based on need. It can be noted that, despite the small amount of the grant, the maintenance-of-effort requirement ensures that all grantees will not reduce sizeable local efforts and supplant it with Federal funds. Also, the recent change in the program permitting networking activities enables many small libraries to pay for network user fees, thus providing access to a wealth of library resources around the Nation for a modest amount. Many libraries report that the small basic grant is used to acquire expensive subscriptions and indexes which they would not be able to acquire with institutional funds.

Question: Will funds under the College Library Resources program in Fiscal 1981 be awarded to nonprofit agencies, such as museums, historical associations, film institutes, etc.?

Answer: Yes. The statute includes eligibility for public and private nonprofit library institutions as well as college libraries, provided that their primary function is to serve academia. Approximately 40 such institutions were supported in Fiscal Year 80 and it is anticipated that a similar number will be supported in Fiscal Year 81. A few examples of such institutions are the American Film Institute, the Nevada Historical Society, the Toledo Museum of Art, and the Folger Shakespeare Library.

LIBRARIAN TRAINING

Question: The report of the National Commission on Libraries and Information Science spoke about the shortage of professional librarians for academic libraries. How does the Library Career Training program address itself to the need for more librarians for academic libraries?

Answer: Under the program, graduate library schools are encouraged to submit fellowship grant proposals designed to recruit persons to be trained as academic librarians. Further, librarians in service are also encouraged to return to graduate library school for an advanced degree which will provide them with administrative skills, a critical need in academic libraries. And under the library training institute program, short-term retraining programs have been offered for academic librarians to obtain new skills and techniques necessary for more efficient and effective service.

Question: How do training funds serve women and minorities in upgrading their skills for positions of administration and supervision?

Answer: Women and minorities are given very high priority under the advanced degree fellowship program where, through Post-Master's and Doctoral programs, advanced academic credentials and training are obtained which are necessary for upward mobility within the library profession, where these two groups have long been underrepresented at the highest administrative and supervisory levels. The record of this program clearly shows that many women and minorities would not have advanced in the profession were it not for the fellowship opportunities under this program.

Question: Have any follow-up studies been done on individuals trained under this program to see if they are now in library-oriented employment?

Answer: Yes. In 1980, a doctoral dissertation was completed at the University of Pittsburgh by Dr. Marva DeLoach, Hampton Institute, Hampton, Virginia, dealing with the impact of Title II-B of the Higher Education Act through fellowship grants. While dealing primarily with minority recruitment, her findings indicate that the vast majority of persons trained under this program are at work in the library profession. Since minority recruitment is a primary thrust of the program, her findings have validity for the entire fellowship program.

RESEARCH LIBRARIES

Question: To what extent are funds under the Research Library Resources program used for collection development?

Answer: Since the inception of the program in Fiscal Year 78, $2.2 million have been used for collection development in 22 research libraries. This amount is 13 percent of the $17 million awarded through this program between 1978 and 1980.

TECHNOLOGY

Question: What success can you show regarding the use of new technologies, and what are the obstacles you face?

Answer: Many libraries have developed extensive film and videotape collections and are experimenting with videodisc technologies. Computer-based library systems for acquisitions, processing of materials, information retrieval, and circulation of materials are very much a part of the present library scene. Some libraries are now considering very advanced telecommunication technologies that allow for the use of electronic print and computer interfaces for requesting information and securing interlibrary loans. Research is being conducted on the feasibility of actually delivering specific reference materials over telephone lines.

Many of the new technologies are just now reaching the consumer market; therefore, what has been done to date is experimental. We do know that technological delivery through teletext and other telecommunication systems is possible, and has been demonstrated in Europe and Japan. Barriers arise from the need for trained people to operate and use the systems, and from copyright regulations that limit telecommunication transmission of materials. However, these issues will be worked out since the cost per page of electronic print will be considerably less than that for traditional printed materials.

EDUCATIONAL TELEVISION

Question: What studies have been conducted to indicate the long-range effects of educational television on the improvement of basic skills of young viewers?

Answer: The most extensive studies of television and basic skills are program-related to "Sesame Street" and "The Electric Company." These shows are primarily aimed at decoding skills and readiness skills. The Educational Testing Service among others have evaluated these programs and found that the more these programs are watched the more the child learns.

Question: What have they found?

Answer: The ETS studies asked specific questions related to the objectives of the programs. Therefore, their findings are based upon program goals and objectives and how well the viewers met those goals. The results of these studies indicate that the shows have been a part of the basic educational opportunities in the nation.

Most classrooms are using materials developed around these two programs in elementary school.

The Education Commission of the States' long-term study on achievement in American schools is ready for release within the next month. Preliminary findings of this study indicate that readiness, decoding and word attack skills are up and that probably more children are excelling in these skills than ever before. General comprehension is not necessarily following the development of these skills.

Question: What science education public television projects are planned for Fiscal 1982?

Answer: It is our intention to co-fund with the NSF, CPB and corporate sources the second season of"3-2-1 Contact" which is produced by the Children's Television Workshop. In addition to this, we are following up on a 1981 start in science and mathematics education for the elementary grades. Both of these series should provide needed assistance in high-quality programs in science.

Additional science programs in 1982 will include a new series funded by the ESAA TV set-aside on the impact of minorities in science and technology. This series will emphasize the contributions of minority scientists and will also encourage young minorities to enter the fields of science and technology. A current status of minority scientists will be portrayed as well as historical accomplishments.

These three efforts provide a balance among our program initiatives in science. "3-2-1 Contact" is an awareness program designed to attract all children into science, but especially women and minorities. The science and mathematics education is content-specific programming and the last program is designed to provide historical accomplishment in science and to attract young people into the work-a-day world of the practicing scientist.

Question: What success has educational television had in the improvement of basic skills among young viewers?

Answer: "Sesame Street" in particular has become an American and worldwide institution in preschool education. It has provided equality of access to basic programs for preschoolers more than any other one resource. Its outreach programs have assisted people in the poorest sections of our society to understand and work with their children to provide a better foundation for education. Studies have found that children do learn basic skills, such as letters of the alphabet and how to count up to 20 while watching "Sesame Street." "The Electric Company" has been used in schools and is still the most in-school used program. One of its main objectives is to teach decoding skills. Studies have found that used with teachers and in school the program teaches these decoding and word attack skills.

Question: How is educational television being used?

Answer: Programs supported by the Department are designed to stand alone in the broadcast day. This means that the programs are complete in and of themselves; however, there are extensive additional materials developed around the television program so that teachers and students may explore the subject in much more depth. All of the programs have print materials which provide additional references and exercises that enhance learning. "Sesame Street", "The Electric Company"and "3-2-1 Contact" all have monthly magazines that provide exercises and reading for the viewers. Programs like "Footsteps" have home viewer guides distributed by the Consumer Information Center as well as textbooks and discussion leader guides.

The "Music Is" series is a basic series on the fundamentals of music for the elementary grades. This series has been used both in its broadcast and non-broadcast forms to provide needed music education especially in small school systems that could not afford the in-depth talent of a Murry Siden or the National Symphony Orchestra.

The "Dial Alcohol" and "Jackson Junior High" series on teenage drinking are used by local stations with community rap sessions discussing the problems as they relate to the local community. In addition, the files of these series are used in classrooms with teachers leading the discussions.

Central to the development of television programs is the wise use of such programs in everyone's life. The Critical Television Viewing Skills projects were designed to assist children and adults with wise and judicial use of television. Television is all pervasive in our society. Each of us must select what and how we use this mass communication resource. These projects were designed to help us make critical choices with respect to our own watching habits.

Based upon some of the principles developed in our Critical Television Viewing Series, some television programs are being used as the basis for expanded reading programs. For example, programs like "From Jumpstreet" have stimulated an exploration of music and the history of music in this country. "South by Northwest" has stimulated a study of black contributions and migrations in this nation. These developers are highly dependent upon teacher direction and uses of these programs. In the Northeast, supplemental work has been done to provide assistance to schools in the use of these programs.

OFFICE OF VOCATIONAL AND ADULT EDUCATION

STATEMENT OF HOWARD F. HJELM, ACTING ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

ACCOMPANIED BY:

PAUL V. DELKER, DIRECTOR, DIVISION OF ADULT LEARNING PROGRAMS

LEROY A. CORNELSEN, DIRECTOR, DIVISION OF STATE VOCATIONAL PROGRAMS

HOWARD A. MATTHEWS, DIRECTOR, DIVISION OF DEVELOPMENT AND DISSEMINATION

SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET

SUBCOMMITTEE PROCEDURE

Senator CHILES. We will now turn to our hearing on vocational and adult educational activities.

Mr. Howard Hjelm, Acting Assistant Secretary for Vocational and Adult Education will testify on behalf of the Department.

Mr. Hjelm, we welcome you and ask you if you will introduce the other members of your panel.

Mr. HJELM. Mr. Chairman, I welcome the opportunity to appear before you to present the appropriation request on vocational and adult education.

I would like to introduce my colleagues who are with me; Sally Christensen, the Acting Assistant Secretary for Planning and Budget; Dr. Leroy A. Cornelsen, Director of the Division of State Vocational Programs, who has responsibility for administration of the State vocational educational grant program. On my left is Dr. Paul Delker, Director of the Division of Adult Learning Programs, who has responsibility for administering the State grant program in the adult education program. Dr. Howard Matthews, on the far left, is the Director of the Division of Development and Dissemination, and he has responsibility for administering the discretionary programs in adult education as well as the community schools program.

We have a written statement to be put into the record.

PREPARED STATEMENT

Senator CHILES. Your statement in full will be included as part of the record.

[The statement follows:]

STATEMENT OF HOWARD F. HJELM

I welcome this opportunity to appear before you today to present the fiscal year 1982 budget for the programs in the Office of Vocational and Adult Education. The three programs supported by this Office-Vocational Education, Adult Education, and Community Schools-work in partnership with State and local educational agencies and a host of other public and private agencies and institutions to develop, expand and improve employment related training, basic skills acquisition, and school-community relations.

For fiscal year 1982, $904 million is requested for vocational, adult and community education. This request reflects a net increase of only $2 million over the amount available for these programs in fiscal year 1981. This request would effectively hold the line on Federal spending in this area. Increased State and local support would be encouraged, in order to alleviate losses caused by inflation.

Vocational Education

For Vocational Education, $779 million is requested, an amount comparable to the 1981 level for the programs supported under this activity. These funds will assist State and local agencies in providing and improving vocational training to over 17 million secondary, postsecondary and adult students.

During the past two decades, the primary Federal role in vocational education was to increase the availability of programs by stimulating additional State and local support. Judging by the high State and local overmatch of Federal funds, now estimated at over 11 to 1, that role has been successful. Federal funding for vocational education has increased from $496 million in 1972 to $779 million in 1981, with State support increasing from $2 billion to over $8 billion in the same
period.

Even with the large State and local overmatch, other important reasons for a Federal presence in this program remain. There continues to be a Federal role in increasing access to training for special needs groups, promoting more equitable treatment of women and minorities, and sponsoring applied research, product development and dissemination. Federal funds still provide the largest share of the support for these and similar activities and thus a continued Federal role is justified. In 1982, coordinated Federal, State and local efforts will concentrate on three problems which concern all States and Outlying Areas--economic development and productivity, access and equity, and youth unemployment.

Adult Education

For Adult Education, we are requesting $122 million to provide basic skills and literacy training to approximately 2.1 million educationally disadvantaged adults. This is an increase of $2 million over

Through the adult education program, State and local agencies provide programs which enable adults over 16 years of age to secure the basic skills and credentials necessary to function with confidence in society and profit from training for work. Efforts have focused on adults who have failed to complete the eighth grade or who lack a high school diploma. Increased attention has recently been focused on the 16 to 44 year old group, and on refugees and recent immigrants.

In contrast to vocational education, Federal support for adult education constitutes the largest share of total funding for this program. Although State and local contributions have been steadily increasing over the past ten years, the Federal government still pays roughly 60 percent of the costs to run adult education programs nationwide.

This budget request will continue to implement reforms of adult education included in the Education Amendments of 1978. These reforms include concentrating resources on those least educated and most in need, expanding the range of organizations which provide adult education, accelerating outreach activities, and enlarging the administrative role of the States in this program. Vital to the successful achievement of these reforms is the development, demonstration and dissemination program, for which $2 million is requested in 1982. This program will increase the effectiveness of adult education by developing and disseminating innovative instructional techniques, experimenting with new technologies, including electronic media and computers, and gathering useful information on the needs of the target population.

The request does not include funding for the Indochina Refugees and Adult Immigrants programs, since these population groups will receive services under the ongoing State program.

Community Schools

In addition to the major service programs of vocational and adult education, the Federal government supports model, demonstration, and developmental activities through the Community Schools program. Since its inception in 1976, the Federal role in this area has been that of building State and local capacity to use schools for a multitude of educational, recreational and social functions.

The fiscal year 1982 budget includes a $3.1 million request for Community Schools, the same level as requested in recent years. There would be no decrease below the 1981 level if Congress approves the request to rescind $6.9 million from the $10 million currently available for this program under a formula grant program. The $3.1 million requested will support 62 demonstraton, development, technical assistance and training projects serving over 100,000 persons. This would be the same level of effort as under the proposed 1981 rescission. Project sponsors include local and State agencies, institutions of higher education and non-profit organizations.

For all programs in the Office of Vocational and Adult Education, the only regulatory activity carried out is the development of regulations which pertain directly to each program. The administrative costs to support this function are funded under the Departmental Management, Salaries and Expenses account and are not broken out separately.

Thank you, Mr. Chairman. My colleagues and I will be happy to respond to any questions you and the Committee may have.

Biographical Sketch

NAME : Howard F. Hjelm

POSTION : Acting Assistant Secretary for
Vocational and Adult Education

BIRTHPLACE AND DATE : Cambridge, Minnesota, June 16, 1927

EDUCATION : Augsburg College, 1951, Bachelor of Arts
Macalester College, 1953, Master of Education
George Peabody College for Teachers of Vanderbilt University, 1959, Doctor of Education
Federal Executive Institute, 1970

EXPERIENCE Present : Acting Assistant Secretary, Office of Vocational and Adult Education, U.S. Department of Education

1973-1980 : Vocational Education Research and Development Administrator, U.S. Department of Education
1963-73 : Educational Research and Development Administrator, U.S. Office of Education
1961-63 : Educational Research Specialist, Organization of American States
1959-61 : Research Coordinator, Cooperative Research Program, U.S. Office of Education
1953-57 : Instructor, Kinampanda Teachers College, Tanzania
1951-52 : Mathematics Teacher, LeSueur (Minnesota) Public Schools
1945-47 : Electronics Technician, U.S. Navy

ASSOCIATION MEMBERSHIPS : American Vocational Association
American Vocational Education Research Association
American Educational Research Association
American Vocational Education Personnel Development Association
Phi Delta Kappa

PUBLICATIONS : Articles published in:
Journal of Experimental Education
Harvard Educational Review
Review of Educational Research
La Educacion
American Psychologist
Peabody Journal of Education
Journal of Educational Measurement
Theory Into Practice
Journal of Research and Development in Education
American Educational Research Association Journal
Contemporary Psychology
Journal of Vocational Education Research

1982 BUDGET REQUEST

Mr. HJELM. Very good. We're covering the three programs, vocational education, adult education, and community schools. This was the budget that was submitted to the Congress in January. The request is for a total of $904 million, which is a $2 million increase over the previous fiscal year. For vocational education, we have a request for $779 million. This is for providing and improving vocational services to over 17 million secondary, postsecondary, and adult students. In the vocational area we have a very high overmatch of State and local money to Federal funds. The overmatch now is about $11 State and local money to every Federal $1.

Senator CHILES. I've seen that figure go as high as 13 to 1.

Mr. HJELM. Our figures show 11 to 1, but there's a lot of variance from State to State on that. In your own State, our estimate is about 22 to 1, but there are other States where it's much lower than 11 to 1, so the needs are greater in some States than in others as far as the Federal match is concerned.

The Federal funding has been increased from about $496 million in 1972 up to the present request of $779 million in 1981. This is level funded in 1982. The State and local support has gone from about $2 billion to over $8 billion during the same period. However, even with the large overmatch there still continues to be a Federal role in terms of increasing access to all students, promoting more equitable treatment for women and minorities, sponsoring applied research, product development, dissemination, all those activities concerned with improving the quality of vocational education.

As far as our programing for the fiscal year for which we are requesting funds, we have it organized around three national priority areas: Economic development, equal access and opportunity, and youth unemployment concerns. The adult education request, which is $122 million, would provide services for about 2.1 million educationally disadvantaged adults. This is an increase of $2 million. Now, this $2 million increase is for a national discretionary program for projects, demonstrations, technical assistance training, the kinds of activities to improve the adult education programs in the field.

Here the match is much different from vocational education. Actually, we're talking about the Federal Government paying about 60 percent of the cost and the State and local governments about 40 percent of the cost. So the Federal share is larger than the State and local share.

The legislation really drives three or four large reforms in adult education which this is centered on. One is concentrating the resources on those least educated and most in need; expanding the range of the organizations which provide adult education, going beyond the local education agencies, accelerating outreach activities to reach all the clientele; and also enlarging the administrative role of the State in the administration of the program.

The third program is community schools, which supports model demonstration and developmental kinds of activities. The Federal role here is building the State agencies' capacity for using their schools for a multitude of educational, recreational, and social functions. The request here is $3.1 million. This $3.1 million would support about 62 projects, demonstrations, technical assistance, and training projects serving over 100,000 people. About a third of these awards would be going to local education agencies for development of demonstration models; about a third to State education agencies; and about a third to institutions of higher education and nonprofit organizations.

With that, my colleagues and I would be happy to respond to any questions you might have.

Senator CHILES. Thank you, sir.

VOCATIONAL EDUCATION

Let me say at the outset that the area of vocational and adult education, I believe, is one of the most critical areas of the budget. The level of skills available to our workforce is one of the most important variables in determining our Nation's productivity level. If we are going to make a major effort to upgrade our technical and industrial capacity and our technology in this country, then we're going to need workers who can use those new technologies. If our vocational training programs are not upgraded in tandem with the upgrading of the technology, then we get two undesirable economic effects. On the top end of the workforce we get wage inflation as employers compete for the scarce labor which has the necessary skills that they need, and at the bottom end the unskilled or low-skilled workers are going to be displaced. That will simply add to the social and economic problems that are already faced by minority and disadvantaged groups.

I hope that as the administration and Congress consider the Nation's economic problems, we keep in mind this critical relationship between skills and technology. We know that vocational education has enjoyed a steady 7-year increase in State and local support and you cited the figures that $1 Federal is matched by at least $11 local. What do you attribute this impressive increase in State and local support to?

Mr. HJELM. The program has been running a number of years and there has been a fairly large Federal investment in vocational education. It is a very popular program at the local level. It's one of the most popular educational programs, I think, at the local level, and there is certainly a constituency there. The business and industrial communities really see that there's a benefit from this. They are well established as far as interfacing with their State legislatures in securing moneys. The same at the local level. There is a real need for vocational education. It's really filling this need at the local level.

Senator CHILES. Do you think the Federal involvement has played a major role in this increase in the State and local involvement increasing percentages?

Mr. HJELM. We definitely believe that has been a very significant factor in this. One of the key critical factors in the establishment of the field of vocational education is the broad base of local support that you have for it.

NATIONAL OBJECTIVES

Senator CHILES. What current national objectives are being served by Federal funds that could never be met by State and local revenues?

Mr. HJELM. Some of the equal access and equal opportunity concerns are certainly served very well by the Federal dollar, and, indeed, in the programs for disadvantaged, where you have full support—100 percent with no matching required—it is definitely a factor in providing vocational education to disadvantaged individuals. I think the whole national thrust on equal access and opportunity has been served by vocational education legislation and its influence at the local level. Certainly at the program improvement level, many of the programs for new and emerging occupations have come out of the R. & D. type of programs and the National Center for Research in Vocational Education.

NEW DIRECTIONS

Senator CHILES. Now that the objective of getting the basic programs established has been achieved, should not the Federal role now shift to improving the quality of the programs and to new technology?

Mr. HJELM. I think we in program administration concur very much. There needs to be a greater emphasis on improving the quality of the programs and meeting the economic development needs of the country.

Senator CHILES. In my opening comments I was expressing that I thought it was important to keep the vocational education system up to date with new technologies and new social needs such as serving disadvantaged youth. One way we have tried to do this with this committee is to begin a shift of emphasis from the basic grant program to the program improvement section. That section lets the States have a greater say in how the Federal funds are used as opposed to the "programs of national significance," which is run from Washington.

When I look at the Department's request, I see no emphasis on innovation. Do you propose to keep everything the same from 1980 to 1982? Why don't you think it's advisable to shift funds to program improvement? That seems to me the appropriate response to the argument in the black book that since Federal vocational education funds are being overmatched 11 to 1, the Federal role of building basic programs has been accomplished.

Mr. HJELM. There are a lot of program improvement activities that do go on under the basic grant program under the 80-percent set-aside. It's not all used for maintenance of programs. There are a lot of activities that are concerned with program improvement. There's been a lot of response in the field justifying the 80 percent, the basic grant line. I think in vocational education we have established, through the funding over the years, a good system for moving out new materials that have been developed and new information from studies. I think vocational education is better off than just about any field of education.

We have the National Center for Research in Vocational Education, we have a curriculum network center to move out materials on curriculum, we have a research coordinating unit—RCU—director in each of the States, and with this network, the studies that have been done on this system are showing that the materials that are developed with the limited Federal dollars as well as those being developed by the State program improvement funds are being moved out. So the materials are moving out throughout the country from these dollars.

Ms. CHRISTENSEN. Mr. Chairman, as long as you brought up the black book with regard to the Reagan budget, you should know that the main rationale behind the distribution of the funds; that is the proration of the reduction within the Vocational Education Act equally among the parts was merely a placeholder pending the reauthorization decisions to be made during the course of this year. The administration wanted it to be clear that we were not trying to set any direction for the future. That's not to say that program improvement probably would not be one of the highest priorities. It was level funded in the Carter budget and reductions were equally prorated in the Reagan budget as a placeholder.

OVERALL FUNDING LEVELS

Senator CHILES. Well, it seems that vocational education is the one area we don't have to wait to have a meaningful discussion of budget levels with the Carter administration having requested a rescission of $12 million in 1981; no increases in 1982; and now we see the Reagan administration has announced a proposal to cut $226 million or 28 percent of the budget proposal in fiscal year 1982. So, as I understand, that $236 million cuts right across all vocational education, or just the basic grants area?

Ms. CHRISTENSEN. That is cut across all of the activities, with the exception of the Smith-Hughes permanent appropriation, which could not be cut for legislative reasons. We left that alone. But the cut itself is spread equally; and, as I say, the reason is as a placeholder.

COMMUNITY SCHOOLS

Senator CHILES. I want to move ahead now to your other proposed rescission, the community schools program. Last year Congress increased that appropriation from $3.1 to $10 million. You are proposing to take it back to the 1980 level and hold it there in 1982. Frankly I think we are being kind of foolish to propose cutting back this one program that offers an opportunity at the local level to pull together a lot of categorical programs and provide them in school buildings rather than setting up new locations. It seems to me we need a strong encouragement to bring outside services into school buildings and to use all of the resources of the school system to help those other programs.

I think that kind of flexibility is particularly important when I look at the population trends. The population will continue to decline for the next 10 or 15 years and we will have excess space in the schools but by the late 1990's there's going to be a secondary baby boom and we'll need those buildings again, so we can't tear them down. Your justification notes that 5,000 local school districts have participated in some way. That's less than a third of all the school districts.

Given the kind of dollars we're talking about here, $7 million more, why don't you think we ought to expand this program to reach the rest of these schools?

Mr. HJELM. Our position is that the $3.1 million is for a national discretionary program to carry on those things in the LEA's and SEA's, and to provide some training at institutions of higher education, to move ahead on the community schools type of programs. The $10 million would drop the discretionary program and provide only State grants. Our belief is that a State grant program with only $10 million is really not of sufficient size to provide the States with the resources they really need. In some of the States, the funds would be so small that they really could not set up a program as such throughout the State for community schools. That was our primary logic in going back to the $3.1 million. Maybe Dr. Howard Matthews might like to respond a little further on this.

Mr. MATTHEWS. The only further comment I would make, Mr. Chairman, is that the State grant program would require a minimum of $50,000 per State with 80 percent of that being distributed to the LEA's; $10,000 would be siphoned off for State administration and supervision, which would not really provide any kind of adequate technical assistance or supervision from the State level.

The format would be changed. It is not like increasing the discretionary authority by $7 million.

Senator CHILES. Well, it seems that again we are talking about whether those discretionary grants are going to flow from Washington or whether we are going to allow the States to come up with innovative programs in which they are saying here we have got a program that is going to give us some utilization of these schools and then Washington can select those innovative programs that look like they are going to bear some real promise.

Mr. MATTHEWS. I can see your point, sir, and I certainly think that it is well taken.

The funds have been administered, as you know, since 1976, on a competitive basis among the States. Initially, as I recall, only five States were competitors for the State share and now 25 States receive grant awards. In the last competition, 42 States participated.

It is our belief that by requiring a minimum award, some States which did a fine job would actually receive less money, whereas other States which were not satisfactory in the competition would get money that they really weren't interested in having in the first place.

So it would be difficult to have it both ways.

Senator CHILES. Senator Specter.

CORRECTIONAL INSTITUTIONS

Senator SPECTER. Thank you, Mr. Chairman.

Are any of these vocational and adult educational programs directed toward anybody in correctional institutions?

Mr. HJELM. Yes; we have supported one or two projects at the national level which provide vocational education to people in correctional institutions, but under the State grant programs a number of vocational programs do serve correctional institutions, while they certainly are not being provided at the level of need that does exist. And this would be true in the adult program as well.

Senator SPECTER. Where are correctional institutions served under such vocational grants?

Mr. HJELM. I do not know personally, but I will defer to my colleague, Mr. Cornelsen, to cite particular States.

Mr. CORNELSEN. There are at least two States that have made a rather unique arrangement in considering correctional institutions eligible as local educational agencies for funding through the funding mechanism authorized in the act.

We can provide you with a record of the institutions.

[The information follows:]

CORRECTIONAL SCHOOL DISTRICTS

Eight States have established correctional school districts: Virginia, Texas, New Jersey, Connecticut, Illinois, Maryland, Ohio, and Arkansas.

Under this system, correctional programs throughout a State form their own school district, which functions similarly to a local education agency and is eligible to recieve funding under the Vocational Education Act and other Federal and State programs. The legislation necessary for establishing a correctional school district usually requires the creation of a separate board of education, a superintendent, provisions for a central program staff, and the means of securing funds for the operation of the program.

Although the eight correctional school districts seem to have these points in common, they are all quite different with respect to enabling legislation: administrative and organizational structure and placement; and scope of inmate population served; that is, adult or juvenile.

There has been little research done on the relative advantages and disadvantages of the correctional school district concept, and on the various models which exist. However, those States which have correctional school districts report that this arrangement seems to facilitate:

1.—Broader access to State and Federal funding. (Correctional school districts compete for funds on an equal basis with local education agencies.)

2.—Accreditation, certification of staff, long-range planning, and evaluation.

SPECIAL EXPERTISE

Senator SPECTER. You do not recall offhand which States they are?

Mr. CORNELSEN. The two States that I recall at the moment which have those arrangements are New Jersey and Texas.

Senator SPECTER. Is there some special expertise that your agency has on the national level with respect to vocational and adult educational programs that might be directed toward penal or correctional institutions if that avenue were funded?

Mr. HJELM. We have established a special desk in our Office of the Assistant Secretary just to deal with this. So we are working to provide technical assistance and so forth.

Senator SPECTER. To deal with prisons, correctional institutions?

Mr. HJELM. Right; we have one person that deals totally with corrections.

I might add that 5 percent of the adult education moneys are going to correctional institutions.

Senator SPECTER. Have any studies been made as to the level of education or vocational aptitude or background of those who leave prisons or correctional institutions?

Mr. HJELM. One of the National Institute of Education—NIE—Voc Ed study efforts will be coming out with a report on providing vocational education in correctional institutions. That report should be out shortly.

Senator SPECTER. Aside from the provision of vocational and educational opportunities, do you have any knowledge or has any study been made which shows the status of those who are released from correctional institutions with regard to their educational level or their vocational capabilities?

Mr. HJELM. I know of no national information on this, but there are some individual studies. I do not have the information here but we could provide that for the record.

[The information follows:]

STUDIES ON THE EDUCATIONAL LEVEL OR VOCATIONAL APTITUDE OF CURRENT OR EXOFFENDERS

There is a lack of information on the educational status of the U.S. prison population, and empirical studies of the effect of training received while in prison are very limited in scope.

The following details provide a profile of the typical prison inmate. The typical inmate is a 25-year-old male with little education, no marketable skills, and little work experience. According to a 1974 study by the Justice Department's National Criminal Justice Information and Statistics Service, he is likely to have an average educational attainment level of 10.3 years. However, he most likely functions two to three grade levels below that. He is probably poor, with a reported income less than $1,000 in the year prior to arrest. As much as 40 percent of the inmate population can be classified as having emotional, mental, or physical handicaps according to the criteria of Public Law 94-142.

Preliminary data collected by the National Institute of Education show that only 1.5 percent of the total cost of incarceration was used to provide vocational training for offenders in fiscal year 1979. Approximately 12.5 percent of the total State prison population were enrolled in vocational programs. The average combined Federal and State expenditure per inmate was $600 in those programs in States without correctional school districts, and $1,000 in those eight States which have such administrative arrangements.

There is a great deal of diversity in the educational programs offered by State correctional systems. Resources, quality, staff, administrative designs, and inmate motivation vary widely from State to State. During hearing sponsored by the National Advisory Council on Vocational Education in 1979–80, a Florida correctional administrator testified to the long and successful relationship between their departments of education and corrections. Positive results from this relationship include increased staff and funding, adoption of State vocational standards, and improved curricular designs. A Kentucky correctional administrator described similar benefits derived from his State's program.

A witness from Cobb County, Ga., gave an example of successful partnership between public and private sectors at the local level. The Cobb County Judiciary, the local CETA prime sponsor, the area vocational/technical school, and the Lockheed-Georgia Co. have collaborated in a venture which has successfully placed several ex-offenders in jobs as machinists and welders.

In terms of measurable educational gains, there are no national data or statistics currently available. Available information is derived from individual programs. In Virginia, juveniles gained one grade level for each 12 months spent in a program, while adults gained one grade level for each 6 months of training. State programs which use computer-assisted learning, such as the PLATO program in Illinois, Minnesota, and Texas, have shown more rapid increases. National data summarizing inmates' educational gains will be available after April from the National Criminal Justice Information and Statistics Service.

MISNOMER

Senator SPECTER. I would be very interested to know that. I have had occasion to visit quite a number of correctional institutions, and my experience has been that to call them correctional is a misnomer, because they correct nothing. And people are released from those institutions as functional illiterates and without any training to succeed after they are released from jail.

Some of the institutions make license plates for the Commonwealth of Pennsylvania where I come from. But the education——

Senator CHILES. My understanding is you have been responsible for providing a number of scholarships for people who got into those places.

Senator SPECTER. That is not entirely incorrect, sir. [Laughter.]

But having provided the scholarship on a lock-them-up-and-throw-the-key-away basis, I have had some recurrent interest, not only for those individuals who have gone there who need somebody to be interested in them, and notwithstanding the fact that they don't vote, but also because they would return, and when they return they come to visit their not so friendly district attorney again. And I have been very much concerned about the status of the correctional institutions, because they come out with functional illiterates who are not electricians, carpenters, or skilled in any way, and it is no small wonder that they are back.

Senator CHILES. They are learning the new technology of their own trade, though.

Senator SPECTER. That is right, Senator.

So I would be especially interested in any materials you could provide, and I would appreciate it if you would mark them to my attention, with respect to anything you know about the educational and vocational level of those who come out of the correctional institutions and what special insights your Department could add to such training.

And if you have anything which relates to juveniles, I am on the Juvenile Justice Subcommittee of the Judiciary Committee, and I have an instinct that there might be some willingness, notwithstanding the budget cuts which are so necessary overall, some willingness to see to it that funding would be available as it related to crime control problems just as it is available for security and national defense, if some realistic programs could be fashioned which could be directed to people in the correctional institutions, and there is no better place to start than with educational and vocational services where you might have some special guidance to offer.

[The information follows:]

CORRECTIONAL INSTITUTIONS

The following information has been provided to the committee:

"Vocational Education in Correctional Institutions," March 1981.

"U.S. Prison Population—Some Basic Facts."

New corrections desk in the U.S. Department of Education.

"Assessment of Quality Vocational Education in State Prisons," Summer 1980.

"A Study of Vocational Education Programs in Nine State Correctional Institutions for Women," May 1980.

A guide for Correctional Administrators to U.S. Department of Education Resources.

"Correctional Education Association Newsletter," January 1981.

"Correctional Education: A Summary of the National Evaluation Project."

Data on juvenile offenders, who make up a significant percentage of the U.S. prison population, are not kept separately.

RECIDIVISM RATE

Mr. HJELM. We have some studies that evaluate the recidivism rate of people who have received vocational training. These are exemplary programs. And the rate indeed is less if they receive exemplary training and vocational education.

Senator SPECTER. I will be very interested in seeing the details on it.

Mr. HJELM. I will be happy to provide that to you.

Senator SPECTER. Thank you very much. Thank you, Mr. Chairman.

Senator CHILES. Thank you, Mr. Specter.

[The information follows:]

RECIDIVISM RATE

Of the approximately 150,000 inmates who are released from prison each year, from 60 to 75 percent will eventually return. As with information on the effects of prison educational programs, however, there are very few empirical studies on the effects of vocational training on recidivism. The few studies that have been done are very limited in scope.

Part of the difficulty in obtaining information on this issue is due to the nature of the problem itself—exoffenders who make it on the outside are reluctant to have any contact with prison officials after their release. In addition, funding for such studies has been limited.

General information on correctional institutions has been provided to the committee.

COMMUNITY SCHOOLS

Senator CHILES. I realize some of my colleagues have a different view of the Federal involvement in community education than I have. Some believe it should be a program supported entirely by State and local funds since community schools directly serve local areas.

To what extent do you believe the Reagan administration will seek support of community schools, and do you expect this program to be part of the large block grant program?

Mr. HJELM. The material that was released on this says that the community schools program would be part of the block grant program to the States. So the activity or function is not being cut out in anyway whatsoever. The States would have the freedom to apply their resources to the community schools effort.

Senator CHILES. I concur that providing the services is the role for State and local agencies. However, my understanding of community schools is that it is designed to develop capacity through technical assistance, training, and disseminating the results of model programs. And that would certainly be consistent with the Federal role of fostering innovation and improvement, would it not?

Mr. HJELM. Very much.

Senator CHILES. The community education program authorized by title VIII of the Education Amendments of 1978 provides financial assistance for planning, establishing, expanding, and operating community education programs. Could a local educational agency receive a grant under the State formula as well as a local agency grant? What kind of monitoring have you established to assure that this hasn't happened?

Mr. HJELM. I would like to refer that question to Howard Matthews.

Mr. MATTHEWS. As you probably know, sir, the grant awards are published in the Federal Register and the agencies listed in the publication fall under four categories: LEA, State education agencies, institution of higher education, and nonprofit organizations. Those who respond are sent one packet according to their category. They can't apply for different grant packets. In other words, if you are an LEA, you get the grant packet for LEA's, in response to the notification in the Federal Register.

Then like all grant awards, we assemble a panel so that there would be no way that an LEA would get a grant under the State grant. This does not foreclose the possibility of them cooperating within the State for the populations for which they have mutual interest. But you wouldn't have two grants to do the same thing.

That is built into the grant process.

VOCATIONAL EDUCATION—NEW TECHNOLOGIES

Senator CHILES. I remarked that I thought it was important—an important Federal role to see that the vocational education programs were keeping pace with the new technology, technological needs of industry. I haven't seen any activities of this sort in your programs of national significance. Are you undertaking any kind of effort in this regard? And are you doing evaluation and monitoring to see how the States are keeping up with new technology or how the local programs are?

Mr. HJELM. In our programs of national significance, projects of national significance in particular, we have supported a number of projects dealing with developing curriculum programs for new occupations. We have had a number of them in the energy field that have been exemplary, dealing with development of materials for training energy use technicians for employment in American industry, as well as some of the materials for nuclear power plant operators.

There has been a whole series in the curriculum development centers dealing with new and emerging occupations.

At the National Center for Research and Vocational Education they monitor this to a certain extent, collect information on it, and provide the States with information.

The whole network of the research coordinating unit directors and curriculum coordination centers try to keep on top of this. It is a very difficult process to try to identify what the new occupations will be until they are actually on the scene. In fact, we actually supported a project once trying to come up with a system to identify these a few years ahead of time, and our findings were very negative on being able to do this. It seems like a new occupation emerges in an existing occupation of some kind until it finally surfaces.

But there is a great deal of effort both at the State level and in our own programs at the Federal level of trying to identify these new occupations and to provide materials for them.

We can provide you with a list and a number of curriculum materials that deal particularly with the new emerging occupations.

[The information follows:]

VOCATIONAL EDUCATION: NEW TECHNOLOGIES

The following are examples of new curriculum technologies developed through the programs of national significance and installed in vocational education programs at the local level:

Laser electro-optics.—Course modules were developed in the early 1970's in four pilot programs. This technology is now available in over 18 schools which train over 200 technicians each year for the laser field.

Nuclear plant technology.—In the late 1970's, training programs were developed for technicians in five areas of nuclear power plant operations. In 1980, 15 schools were using the materials to train hundreds of students, while some 50,000 copies of training materials were distributed by employers to upgrade the skills of current nuclear plant workers.

Energy use and conservation.—This occupational training area, begun in 1977, now encompasses numerous schools and employers. The four pilot schools involved will graduate several energy conservation technicians in 1981.

Word processing.—Most States, as part of their ongoing business occupations programs, now offer training in word processing, including data processing and computer communications.

SPECIAL PROGRAMS FOR THE DISADVANTAGED

Senator CHILES. How do special programs for the disadvantaged and vocational education relate to the program of the same name funded under higher educational authority, also known as the TRIO program?

Mr. HJELM. I am not really able to respond to that. Are you?

Mr. CORNELSEN. No; I think the similarity is in the title. But the program for the disadvantaged is a separate program that provides instruction, guidance and counseling, and related services to persons who are disadvantaged. This has provided 100-percent Federal funding through the State boards of vocational education to local education agencies and postsecondary institutions. Ours is not a program of higher education per se.

Ms. CHRISTENSEN. The TRIO programs on the other hand, Mr. Chairman, are aimed toward recruiting and helping the students find the sources of student aid, and once they get into college, providing tutorial and other kinds of remedial services to help them stay in college. But it is strictly a higher education program.

RELATIONSHIP WITH CETA

Senator CHILES. It seems that vocational education and CETA share responsibility for training disadvantaged youth. I know in my own State of Florida most of the CETA training is contracted out to vocational education systems. On a nationwide basis what are you doing to coordinate with CETA? And the CETA system has done a pretty good job in the last couple of years of developing the private industry councils which give the input on what kind of skills they need in their community. How could the Voc Ed education program draw on these existing PIC's from the guidance and not create a second network?

Mr. HJELM. One thing we have done in projects of national significance, is to support a project to identify local sites where there are exemplary programs going on in CETA vocational educational coordination. Then we have made an effort to disseminate information on these.

In the State grant program there is a certain amount of effort aimed at coordination of the CETA program and the vocational education program administered by the States. And this is looked at very closely by our shop.

Maybe Dr. Cornelsen could elaborate on the CETA-Voc Ed connections that take place under the State grant programs, because they are quite extensive in some places.

Mr. CORNELSEN. The most important involvement is when a prime sponsor and a local director for vocational education collaborate in the development of a curriculum that serves multiple levels of students as well as levels of expertise required by industry.

Another cooperative effort that occurs at the State level involving the CETA linkage works through the planning councils that are required by the act, where 10 different agencies planning for the next cycle involve themselves with agenda topics of coordination and collaboration.

Additionally, the State advisory council for vocational education is required to have membership from the manpower services council and other delivery systems for training, such as the private project. So there is within the Voc Ed authority a system encouraging that kind of linkage and cooperation.

Its success, of course, varies from place to place. But improvement has been seen from the original establishment of the act.

Senator CHILES. In Broward County in my State, for example, the PIC work with the electronics industry has set up an upgrading program. They took experienced workers from the deadend assembly jobs and gave them 10 months of training to become technicians. CETA paid for the training and was also able to backfill placements into the low-skilled jobs. The training was provided by the two proprietary schools in the county Voc Ed program. The electronics people tell me that the Voc Ed did the best job at the lowest cost. And of the 60 people trained as technicians, 55 were women, 5 were—and the majority of those were black. As assembly people they were making $175 a week; as technicians they started at $275 and could go to $400 a week.

As I say, then they could backfill with other lower skilled workers to take the assembly jobs back.

My concern is how do we get the Voc Ed programs across the country to work with private industry to see that they aren't just sort of determining what their curriculum is in-house without really walking out into the real world and knowing what the needs are, where jobs are available, what the demands are? How do we get them in and coordinating with private industry?

Mr. CORNELSEN. There's one other item I would mention. That is the activity of the National Occupational Information Coordinating Committee and its collaborative involvements with the State occupational information coordinating committees. Together they have sponsored and are currently implementing an occupational information system. Now this national committee has representatives on it from four member agencies—the National Center for Education Statistics, the Department of Education, the Bureau of Labor Statistics, and the Education and Training Agency, and together they are fostering the kind of planning which involves, at the State level, the employment service as well as at the local level, so that the training is clearly linked to the kind of job opportunities that exist.

This is another mechanism that is causing agencies which have generally been working separately at similar objectives to work together at common ones.

VOCATIONAL EDUCATION AND CETA

Senator CHILES. Why is there a continued need for both the Federal vocational educational programs and similar vocational training programs under CETA? What differences make it reasonable and not duplication to continue the funding of both these programs?

Mr. CORNELSEN. Actually, Mr. Chairman, this opens up an area of concern that relates to the reauthorization of the various pieces of legislation that I know you're personally interested in. Those questions are being asked by the agency as we prepare for reauthorization activities.

The differences, I think, are largely in their purpose. Vocational education began quite some time ago with the CETA activities following the manpower development and training activities of the 1960's. One aimed very specifically at unemployment resulting from industry shifts, structural unemployment, the other being a preventative response to try to prepare people for work generally, rather than to wait until they are in the pool of unemployed and respond to that need.

So they have slightly different purposes, although both prepare individuals for work.

COST OF TRAINING

Senator CHILES. Which has been more successful in providing jobs for unemployed youth, and which has been more successful on a cost ratio?

Mr. CORNELSEN. If you're looking specifically at the cost per trainee, I think you have to be very careful to look at what is provided and for what purpose.

Senator CHILES. I'd like cost per trainee per job or per skill into the private sector, in other words—not just the cost per trainee if it was a deadend and it didn't relate—didn't translate into a job.

Mr. CORNELSEN. These two programs cannot really be compared in that way because, on the one hand, under the vocational education program, a significantly large part is the education itself, preparing people to enhance their knowledge and skills for work generally. This is compared to some very specific job training where you're emphasizing only the job skills, where you are also providing subsidies and stipends for the individuals, under the CETA program. They are really not comparable programs in terms of costs.

Mr. HJELM. We cite per pupil costs in Voc Ed of $400 per year, but there is certainly a lot of other educational costs on top of that.

Senator CHILES. All you have is the per pupil cost? You don't have any breakdown on what you think the average cost is of training a youth and seeing that he gets a job? Or you don't follow him up to see if he gets a job?

Mr. CORNELSEN. Certainly in terms of the data on job placement, we have watched this over a number of years. The National Center for Education Statistics is now installing a more elaborate followup system, but our data show, of the students available for work—this is not counting those that are going into the military or continuing their education or not seeking work—of those who seek work, approximately 90 percent find work.

CAREER EDUCATION PROGRAM

Senator CHILES. I want to ask you about the career education program which you have listed in another part of your budget, which is closely tied to the vocational and adult education program. It's attempting to develop realistic job expectations and information in early grades so the students can know the implications of what they're studying on their ability to get jobs later on in life.

I see you are proposing to rescind $5 million from the $15 million we appropriated for career education. That sounds again to me like you refuse to take on any new directions in vocational education. Your justification says you expect the States to continue career education projects with their own funds and pick up on the exemplary models from previous demonstrations.

I wonder how realistic that is, given the newness of career education programs authorized as a 5-year demonstration to run until 1983. But since you have fought us at the funding each year, I don't think the program has been carried out in a way that you can expect the States to pick it up ahead of schedule.

Tell us how many States and local districts have run career education projects under your program each year since we funded it and how much money has actually been spent to date in each of the years from the funds that we appropriated.

Mr. HJELM. Under career education?

Senator CHILES. Yes, sir.

Mr. HJELM. I do not have that information.

Ms. CHRISTENSEN. We can provide it for the record.

Mr. HJELM. We'd have to get that from the career education program.

[The information follows:]

CAREER EDUCATION

In fiscal year 1979, the first year of funding, 49 States, the District of Columbia, Puerto Rico, and the Trust Territories elected to participate in the career education program. Only New Mexico elected not to participate. In fiscal year 1980, two additional States, Nevada and South Dakota, elected not to participate. All the other States continued to participate.

Exact data with respect to the number of participating local school districts will not become available until May 1981, when all fiscal year 1980 annual reports have been studied and analyzed. Until then, data from the American Institutes for Research's report entitled, "Implementation of the Career Education Incentive Act: Interim Report on the Rapid Feedback Evaluation" is the best source available. Data from this AIR report indicates that in the nine States included in their sample, an average of 18 local school districts per State received grants from their State education agencies. If generalized to the Nation, estimates would then be that, in fiscal year 1979, approximately 882 school districts were funded while, in fiscal year 1980, approximately 846 school districts were funded.

In fiscal year 1979, Congress appropriated $20 million for the kindergarten through grade 12 portion of the act and all of it was obligated. In fiscal year 1980, Congress appropriated $15 million, of which $14,458,446 was used. The remaining $541,554 lapsed because of insufficient time to allow competitors to prepare best and final offers before the end of the fiscal year and because contracts were negotiated at less than the estimated amount.

VOCATIONAL EDUCATION ACT REAUTHORIZATION

Ms. CHRISTENSEN. You do understand, Mr. Chairman, this is another program that's scheduled to go into the State block grants.

Senator CHILES. I didn't know that it was scheduled.

The Vocational Education Act expires in fiscal year 1982. What basic changes are going to be proposed by the administration in their reauthorization of the act, and are vocational education programs being considered as part of the block grant proposal?

Mr. HJELM. Vocational education has not been proposed to be included in the block grant, and within the administration right now, we are just beginning our discussions on what the reauthorization proposal for the administration should be, so we're really in now position to talk about this at the present time. But we are holding meetings weekly right now to look at what the Vocational Education Act should be as we see it.

But there will be a bill submitted to the Congress. Do you know the timing on that, Sally?

Ms. CHRISTENSEN. No; I don't know the timing on this bill. As I indicated earlier, though, the Reagan budget will be a placeholder until the new administration has had time to look at this—its relationship with CETA as well as the possibility of part of a larger block grant, or maybe a block grant within vocational education, or a continuation or redirection of the existing programs, whatever that might be.

There were so many options that it was decided, at this time, to prorate the reduction across the board as a placeholder until those decisions are made—not trying to reflect any direction at all for the program at this moment.

Mr. HJELM. Vocational education is an advance-funded program, so there's an automatic 2-year extension, reauthorization through fiscal year 1984.

Senator CHILES. In those discussions that you're having, are you considering the upgrading that we set forth in the new technologies and in serving the disadvantaged and handicapped as opposed to the old basic goals that we all agree have pretty well been met now?

Mr. HJELM. Very much so. Some of your introductory remarks were right on target for some of the discussions that have been taking place.

Senator CHILES. I've also been impressed with what the Florida Voc Ed program has done to tailor special training programs to the needs of industries that have considered either locating or expanding in the State. Should that be part of the goals or the kind of economic role that we should make a part of the new——

Mr. HJELM. It's our personal opinion that it should very much be tied to the economic development concerns of the country, including those kinds of things.

Ms. CHRISTENSEN. Secretary Bell has also held some meetings in the educational community with local educators and State educators and their associations in order to get their input and suggestions, as these major issues become developed into legislation and new budgets. He is very anxious to get the input of all the educational community.

Mr. HJELM. We have some current projects being funded to try and identify where there are exemplary practices going on now relating Voc Ed to economic development, and this is going to provide us with a lot of information of this topic.

ADULT EDUCATION—DEMONSTRATIONS

Senator CHILES. The Carter budget request of $2 million to develop and implement demonstration models designed to improve adult education—what specifically would you hope to accomplish with it?

Mr. HJELM. Dr. Matthews, do you want to respond to that?

Mr. MATTHEWS. Mr. Chairman, as you are well aware, we have had an authorization of $3 million for that function, and there has been no appropriation in the past, so the most we've been able to do up to this point in time is maintain a sort of clearinghouse to try to find out who is doing what that's exciting and different and innovative.

What we would hope to do with some of that $2 million, if it were appropriated, is to explore the uses of technologies you identified earlier in your discussion on better serving the adult population not being served by conventional methods and then disseminate the usefulness of those methods to the adult education community.

ADULT ILLITERACY

Senator CHILES. According to recent information, over 23 million Americans are considered functionally incompetent or illiterate. What role is the adult education program having in assisting these adults to master basic educational skills, and how successfully has the adult education program been alleviating functional illiteracy for the program participants?

Mr. DELKER. Mr. Chairman, that is specifically the population the Adult Education Act is targeted on, with the 1978 amendments reemphasizing services to those who are least educated and most in need. A recent evaluation study for the Department of Education reports that, in their words, "indeed people are working and people are learning." There is a very good return on the Federal dollar in this program. Approximately 2 million people a year are being served: 43 percent are white; 27 percent are black; 21 percent are Hispanic; and another 7.5 percent are Asian and Pacific with the final 1 percent being Native Americans.

Of the 23 million to which you refer, again the number of whites to nonwhites in that pool is about 2-to-1, but as a percentage of the total population, the whites are best off whereas, of course, in total number they would constitute the majority. So the higher percentage of the minority populations in the program is quite consistent with the higher percentage of minorities who are in that functionally illiterate pool.

ADULT EDUCATION—UPGRADING AND RETRAINING

Senator CHILES. Your budget justification for adult education stresses achieving basic skills. Given the Ford Foundation figure of 56 million functionally illiterate adults, I wonder if at the same time as improving basic skills, we need a second track for upgrading and retaining the younger adult group. I'm thinking both about getting low wage workers out of deadend jobs, also training people to use more advanced equipment. For older workers, we need to retrain people over 50 to adapt to different work, styles, and demands.

Are you doing anything about upgrading and retraining your adult education——

Mr. DELKER. Yes, Mr. Chairman; however we do the actual upgrading of job training through linkages between the CETA program and vocational education programs because, as the Adult Education Act prescribes by its silence, its purpose is not to duplicate the job training and hands-on experience available in these other programs. So we have many linkages between CETA referrals for basic education, as well as vocational education.

About one-third of the people in the adult education program state a job-related purpose as a reason for seeking improvement in basic skills or their high school equivalency.

Senator CHILES. The budget submitted by the former administration requested $20 million additional funding for adult education. The purpose of the funding was said to be the outreach for adults who are hard to reach and serve and had the greatest need for basic skills.

The Nation's elderly population would seem to be one of those in greatest need, judging from the statistics on their educational attainments. In 1978, only 40 percent of the over-65 population had completed 4 years of high school. About 45 percent of older Americans had an eighth grade education or less, yet the elderly has the lowest participation rate in adult education.

What is the Department doing to reach older Americans? Although the Nation's education level is increasing with time, there is still going to be a number of older Americans in the coming decades without the basic competency skills they need in today's complex society.

Mr. DELKER. Mr. Chairman, about 3 years ago when the congressional committee spoke on behalf of increased emphasis on the older population, we did begin to concentrate on technical assistance for the States, and the percentage has doubled from 3 percent of the total to 6 percent of the larger universe. So it has had some impact.

Senator CHILES. Do they still make up over 15 percent of the population?

Mr. DELKER. That's correct, and they are the largest age group in our society without high school completion. What we have learned and what is reflected in the 1978 amendments is that many of the particularly older retired people are not really motivated by the achievement of a high school equivalency; however, they are interested in improving their basic skills to function more effectively. They're interested in consumer economics programs, in maintaining health, and in maintaining a role in the community. So the new first purpose of the act is the basic skills necessary to function in society and we are sponsoring programs which are especially directed to their needs without forcing them into the format or content of high school equivalency, if that is not what they need and want.

And so, we anticipate seeing an increasing number of older people in the program as the program becomes more flexibile and can offer curriculum more related to their needs.

SUBMITTED QUESTIONS

Senator CHILES. We have other questions which we will submit to be answered for the record, and I thank you for your attendance.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

VOCATIONAL EDUCATION - PROGRAM IMPROVEMENT

Question: How were Federal Vocational Education funds used in fiscal year 1980 to improve the quality and management of programs? Please cite some specific examples.

Answer: There are many examples of the improved quality and management of vocational education programs brought about by projects supported with State program improvement funds. Most of these funds are used in the areas of guidance and counseling and personnel development. The projects in guidance and counseling provide many examples of program improvements while indirect improvements in program management can be attributed to personnel development.

Several examples of positive developments have come to our attention during recent visits to the States to conduct management reviews for program compliance and quality. In Arizona, for example, the quality of guidance and counseling activities has been improved through contracts which involved parents and community groups in students' career planning. Also in Arizona, a comprehensive plan has been developed to train all teaching personnel in a systematic way.

Virginia and Mississippi have awarded contracts to standardize and improve counseling services throughout the State. Mississippi has also designed a program of coordination between industry and vocational education. Several improvements have resulted from this alliance. There is little duplication of training materials, and those available through one source are shared with the other. Also, very few students are being prepared for jobs which are not in demand.

Another management improvement which has taken place involves the Midwest Curriculum Coordination Center and 18 States. Known as the Vocational Technical Education Consortium of States (V-TECS), this group shares in the development of mutually needed curriculum materials for teachers and students.

PROGRAMS OF NATIONAL SIGNIFICANCE

Question: To provide Federal leadership in innovation and improvement of vocational education various activities are supported under Programs of National Significance. What are the specific goals of these programs and how will they be achieved in fiscal year 1982?

Answer: For 1982, there are three specific goals for the Programs of National Significance: to encourage community economic development and increase productivity; to ensure access to and equity in vocational training opportunities; and to reduce youth unemployment.

Each of the discrete program elements which comprise the Programs of National Significance will address these goals through a variety of strategies. With the $10 million proposed for the Programs of National Significance, the following activities are planned:

The National and State Occupational Coordinating Committees will gather and disseminate data on needs in each of the three problem areas and how vocational education, State employment agencies, CETA prime sponsors, and others can contribute to their resolution.

The National Center for Research in Vocational Education will serve as a focal point for State program improvement efforts, while engaging in analysis of information, applied research, product development, and dissemination related to each of the three goals. The Curriculum Coordinating Centers will develop, field test, and install new materials which will be used to increase productivity, improve access to programs, and enhance the employability of young people.

Six special projects of national significance will develop innovative approaches to each of the three problem areas and eventually institutionalize these products and techniques in local programs.

Question: What has been accomplished in the past year to achieve these goals?

Answer: Under economic development, there have been several accomplishments. The National Center has trained vocational education leaders on how to use vocational programs to improve an area's attractiveness for new industry. The Curriculum Centers have conducted workshops for State personnel on the use of materials on economic development. A special project was supported to improve industry-education-labor ties in rural communities. Another project developed entrepreneurial training modules to be integrated into vocational courses.

The goal of improving access and equity also received attention. A support system for information and materials sharing has been installed for the 57 State sex equity coordinators. One project assisted the States to meet requirements of the Office for Civil Rights, while another project trained vocational education teachers in working with special needs groups. Methods and materials were also developed to be used for training handicapped persons and displaced homemakers.

In the area of youth unemployment, several training and development workshops were held by the National Center and the Curriculum Coordinating Centers. Another project to devise innovative ways of teaching basic skills while simultaneously teaching occupational skills to out of school youth was recently initiated.

Question: Has Federal leadership in vocational education led to major changes in curriculum or teaching?

Answer: Several new technological areas have been added to existing vocational curricula while instructional practices have been changed considerably.

In the area of new and emerging occupations, several examples of positive developments can be cited. These include laser electro-optics technology, energy conservation, nuclear plant technology, and related areas.

Methods of teaching have been influenced by the development and dissemination of performance based teacher education modules for occupational areas; metric education training packages for use by schools and industry; training manuals for job placement and counseling; and guides to adapt tools and equipment for handicapped students.

CONSUMER AND HOMEMAKING EDUCATION

Question: What are the specific goals of consumer and homemaking education for fiscal year 1982?

Answer: For fiscal year 1982, the consumer and homemaking education program has several specific objectives under the overall goal of preparing youths and adults of both sexes for the dual role of homemakers and wage earners. These are: to prevent dropouts by providing day care to children of secondary school age parents; to accelerate outreach efforts to attract special populations (aged, handicapped, minorities, disadvantaged and institutionalized persons) to the programs; to concentrate resources on displaced homemakers and persons from economically depressed areas; to improve the self-concept of school age parents, thereby preventing dropouts; to foster an increased awareness of energy conservation in the home; to reduce sex stereotyping in instructional materials and teaching strategies; to provide training to young people in family living and parenthood education; and to enhance the employability of youth and adults.

Question: How are youths of both sexes being prepared for the dual role of homemakers and wage earners?

Answer: Consumer and homemaking education programs encourage both males and females to enroll by promoting its training as relevant and necessary for both sexes for today's lifestyles. In some schools, participation in the programs is mandatory and a requirement for high school graduation.

Once participating in the programs, young people are allowed to explore such activities as home management, infant and child care, and nutrition education and food preparation, to prepare themselves to cope with the multiple roles of family life. The programs encourage the youths to experiment with reversed roles, that is, women as wage earners and men as homemakers, and with the sharing of homemaking tasks when both work. In addition, each State's sex equity coordinator works closely with the consumer and homemaking program to attract males.

Question: What is the breakdown of male to female participation in these programs?

Answer: In consumer and homemaking education, males compromise approximately 35 percent of the total enrollment. This has improved from the late 1960s, when males represented less than 10 percent of the enrollment.

BILINGUAL EDUCATION

Question: How much of the fiscal year 1981 appropriation for basic grants will be directed toward vocational education programs for those of limited English proficiency?

Answer: Section 110(b) of the Vocational Education Act requires States to set aside a minimum of 20 percent of their basic grants and program improvement allotments for disadvantaged persons and persons of limited English proficiency. Of this set-aside, States must use for limited English proficient persons a minimum portion equal to the ratio of the population between 15 and 24 years of age who are of limited English proficiency to the general population of the same age.

Based on the fiscal year 1981 Continuing Resolution, $137.4 million in Federal funds must be used for disadvantaged and limited English proficient persons. It is not known how much of this will be used for the limited English proficient. However, 1978 and 1979 estimates indicated that $2.5 million and $4.0 million respectively were used by the States to provide services to limited English proficient persons.

In addition, persons of limited English proficiency may receive vocational training under section 183 of the Act which authorizes bilingual vocational training to be provided through discretionary grants to serve out of school youth and adults. The fiscal year 1981 Continuing Resolution provides $4.8 million for this program.

STATE ADVISORY COUNCILS

Question: Of what specific benefit are State Advisory Councils on Vocational Education?

Answer: State Advisory Councils on Vocational Education are quite useful to State Boards of Education. They are of particular benefit in assessing the special manpower needs of each State and the ability of vocational education to help offset those needs. In this way they provide a useful source of guidance on how to improve each State's vocational education program.

The Councils represent a broad spectrum of public and private organizations and, therefore, the advice, comments and feedback they provide are much more comprehensive than would be received if only educators were involved in the process. Individuals representing the concerns of agriculture, labor, industry, economic development, community colleges and universities, correctional institutions, and other agencies are included. In fact, a majority of each council is comprised of noneducators.

Question: How much do States contribute to their support?

Answer: There is no State matching requirement for State Advisory Councils, and thus very few--about 10--States supplement the Federal funding of State Advisory Councils with support of their own. We have no record of how much these few States contribute.

SPECIAL NEEDS

Question: Federal vocational education programs require special set-asides for various groups with special needs. What percentage of students in need of special service; i.e., non-English speaking, handicapped, disadvantaged, etc. are currently being served by vocational education programs?

Answer: We do not have data on the total number of students who are in need of special vocational education services, and therefore we cannot tell what percentage is being served.

Participation in job-related vocational training is elective, and the students themselves (influenced by parents and counselors) ultimately decide whether to enroll or not. This makes it very difficult to determine how many students want vocational education and how many of those who want it actually receive training.

Another matter complicating the issue is that of which "special" students to count for the set-asides and special programs. Many students who by other criteria; i.e., family income, socio-economic status, handicapping condition, linguistic/cultural differences, may be considered "special," are quite able to succeed in regular vocational programs without any additional services. These students would not be counted as having special needs.

Question: To what extent is there administrative coordination between these special programs and other Federal programs serving similar populations? Please cite some examples.

Answer: At the Federal level, there is a considerable amount of coordination by the Office of Special Education and Rehabilitative Services, the Office of Elementary and Secondary Education, the Office of Bilingual Education and Minority Languages Affairs, the Office of Indian Education, and the Department of Labor.

At the State and local levels, the amount of coordination varies, but there are many examples of excellent coordination. In Tucson, Arizona, the Pima County adult education program, serving mainly limited English proficient Mexican-Americans, cooperates closely with bilingual education programs. Youth development centers in New York and in New Hampshire share both vocational and Title I funds. In Arlington, Virginia, the adult education, vocational education, bilingual education and CETA programs are all closely linked.

SEX BIAS

Question: To what extent has sex bias been eliminated from vocational education programs?

Answer: Sex bias in vocational education programs has been reduced to a significant extent. Although there is still much enrollment in and assignment to certain classes and occupational fields based on the student's sex, the situation has improved considerably.

Females have made positive gains in several occupational areas not considered traditional for their sex. For example, in such areas as agriculture, technical, and trade and industry, women have gained several points in the percentage of total enrollment. Distributive education (merchandising) now has an enrollment nearly one-half female. These gains have been gradual, but steady and one-directional. Today males comprise 35 percent of the total enrollment in consumer and homemaking education, up from 10 percent about 10 years ago.

Question: When can we expect substantial vocational sexual equity to be obtained?

Answer: We can expect substantial sex equity in vocational education programs only when this has been attained in the world of work and in society in general. We believe that the 1980s will see continued positive developments in sex equity in vocational training, but since the training generally mirrors the job market the changes will be gradual.

VOCATIONAL EDUCATION DATA SYSTEM (VEDS)

Question: What is the position of the Department of Education regarding the Vocational Education Data System (VEDS) and State laws?

Answer: The Office of Vocational and Adult Education and the Office of Educational Research and Improvement have recently collaborated in preparing a set of recommendations to the Secretary on ways to improve VEDS and to reduce the information burden on the States. We anticipate that the Secretary will make some decisions simplifying VEDS in the near future.

Question: Are there any instances where State laws conflict with Federal Vocational Education Data reporting requirements?

Answer: We are unaware of any instances where VEDS requirements conflict with State laws.

ADULT EDUCATION - STATE FUNDS

Question: Less than 40 percent of the total amount for adult education is contributed by State funds. Why is the State share of the cost of adult education so low?

Answer: There are several reasons why the State and local share of adult education is relatively low compared with vocational education. First, the Federal role in supporting adult basic education is only fifteen years old compared with the six decades of Federal involvement in vocational education. The funding levels for vocational education have been five to six times greater than the levels for adult education. In addition, State legislatures tend to be less supportive of adult education. This may be due to the lack of a strong and vocal constituency in adult education, something vocational education has had for a long time.

The legislation may also have an influence. While most sections of the Vocational Education Act require a 50 percent match, the Adult Education Act requires only a 10 percent State/local match of Federal dollars.

However, the actual percentage of State/local funds spent on adult education reflects a positive trend. The 1979 figure of 41 percent of the program supported by State/local funds compares very favorably with the 25 percent figure in 1969.

Question: What steps are being taken to increase the State role in adult education?

Answer: Implementation of the 1978 Amendments to the Adult Education Act has increased the States' role in this program.

For example, in addition to the public schools, nontraditional providers of adult education services have become involved. These include nonprofit agencies, community-based organizations, and even private concerns.

States now have an enlarged role in operating adult education, and are thus more accountable for program achievements Also, State planning functions now include representatives from a wide range of non-educational organizations, as well as members of the target populations.

As the States continue to implement and operationalize these reforms, we anticipate continued growth in the non-Federal share of adult education funding.

SUBCOMMITTEE RECESS

Senator CHILES. The committee will stand in recess until 10 a.m. tomorrow when we will continue our hearings on the Department of Education.

Thank you.

[Whereupon, at 3:35 p.m., Tuesday, March 3, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 4.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

WEDNESDAY, MARCH 4, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room 1114, of the Everett McKinley Dirksen Senate Office Building, Hon. Lowell P. Weicker presiding.

Present: Senators Weicker, Rudman, and Specter.

DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

STATEMENT OF HERMAN R. GOLDBERG, ACTING ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:

- EDWARD SONTAG, ACTING DEPUTY ASSISTANT SECRETARY, OFFICE OF SPECIAL EDUCATION
- LAWRENCE SCADDEN, ACTING DIRECTOR, NATIONAL INSTITUTE OF HANDICAPPED RESEARCH
- FREDERICK SACHS, ACTING DEPUTY COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION
- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET

SUBCOMMITTEE PROCEDURE

Senator WEICKER. The subcommittee will come to order.

This morning we will hear testimony concerning education for the handicapped, vocational, and rehabilitation services for the handicapped and the Institute of Handicapped Research.

When the Department of Education was created last May, the Rehabilitation Services Administration was transferred to it, along with the National Institute of Handicapped Research and the National Council for the Handicapped. These programs are now being administered by the same Assistant Secretary responsible for education for the handicapped which was previously part of the Office of Education. Herman Goldberg, Acting Secretary for Special Education and Rehabilitative Services, is the principal witness. If you would introduce, Dr. Goldberg, your key associates, and then proceed with a brief overview of the description of the makeup of programs for which you're responsible.

INTRODUCTION OF ASSOCIATES

Dr. GOLDBERG. Thank you, Senator, and good morning. On my right is Dr. Lawrence Scadden, the Acting Director of the National Institute of Handicapped Research. Directly to my right, Mr. Fred Sachs, the Acting Deputy Commissioner of the Rehabilitation Services Administration. To my left, Dr. Edward Sontag, the Acting Deputy Assistant Secretary of the Office of Special Education, and at my extreme left is Sally Christensen, the Acting Assistant Secretary for Planning and Budget.

Senator, this morning, in lieu of reading the opening statement that has been submitted to you and your staff, we have prepared three charts which are——

OPENING STATEMENT

Senator WEICKER. Let me, if I might, Dr. Goldberg, at this time indicate that your statement in its entirety will be included in the record at this point.

Dr. GOLDBERG. Thank you, Senator.

[The statement follows:]

STATEMENT OF HERMAN R. GOLDBERG

I welcome this opportunity to appear before you today to present the fiscal year 1982 budget request for the Office of Special Education and Rehabilitative Services. The establishment of this office brought together at the Federal level programs for handicapped people of all ages. The programs administered by this office support a wide variety of services specifically targeted to assuring that handicapped children are provided the same rights to a free, appropriate public education that have been provided to non-handicapped children, and to enabling handicapped individuals to actively participate in society by helping them to maximize their potential for employment and independent living.

The Office of Special Education and Rehabilitative Services administers two major appropriation accounts. The Education for the Handicapped and the Gifted and Talented program budget activities have been merged into a single appropriation account in 1982. The Rehabilitation Services and Handicapped Research budget activities represent the second appropriation account. My statement today will address each account separately.

Education for the Handicapped, Gifted and Talented

The fiscal year 1982 budget request for Education for the Handicapped, Gifted and Talented is $1,225,235,000, an increase of $116,905,000 over the 1981 funding level. The bulk of these funds--$1,060,185,000, or 87 percent-will go directly to States to assist them in paying for part of the cost of educating handicapped children. Level funding of $155,050,000 will be used to continue activities such as personnel training, demonstration projects for severely handicapped children and youth, development and distribution of media products and materials, and applied research into selected aspects of special education. Ten million dollars will be used to provide Federal support to help meet the educational needs of gifted and talented children.

Since the passage of P.L. 94-142 in 1975, the primary focus of the Office of Special Education--formerly the Bureau of Education for the Handicapped-has been on assisting States and local educational agencies to carry out the mandate in the law to provide full educational services to all handicapped children and youth. Over the past few years, largely through the leadership and encouragement provided by Congress, virtually every school district in the Nation has joined in affirming the fundamental rights of handicapped children by providing for their individual needs, educating them with nonhandicapped children where appropriate, and protecting their rights through due process.

State Grant Programs

Under the Handicapped State Grant program in 1982, the budget strategy is to provide Federal financial support under P.L. 94-142 at about 11.3 percent of the national average per pupil expenditure. The total amount of $1,030,185,000 will be used during the 1981-82 school year to serve an estimated 3,900,000 handicapped students compared to 3,850,000 in 1981. The increase of $108,185,000 is necessary to maintain the Federal per pupil contribution at about the same percent of average per pupil expenditure as in 1981. In order to do this, the per pupil spending will increase by $25, to $264.

Thirty million dollars is requested to support the development of preschool incentive programs for handicapped children aged three to five. An estimated 260,000 handicapped children will receive services, compared to approximately 246,000 in 1981. The Federal contribution will be $115 per child, an increase of $13 over 1981.

Discretionary Programs

The budget request for discretionary programs for education for the handicapped is the same as the fiscal year 1981 funding level. The $155,050,000 requested includes $16,000,000 in assistance for centers serving deaf-blind children; $25,000,000 for demonstration programs for special populations, including severely handicapped and preschool aged youngsters; $58,000,000 for special education personnel development; $20,000,000 for innovation and development activities; $19,000,000 for the acquisition, captioning, production, and distribution of films and other educational media for the handicapped; $10,750,000 for regional resource centers and recruitment and information activities; $4,000,000 for regional vocational, adult, and postsecondary grants; and $2,300,000 for special studies.

Gifted and Talented

Fiscal year 1982 marks the third year of operation of the Gifted and Talented program. The 1982 budget request is $10,000,000. The proposed increase of $3,720,000 will add significantly to the Federal financial support of the State-administered activities as well as increase efforts in the areas of personnel development and research. Approximately $7,500,000 will be used for the State grant programs and $2,500,000 for discretionary grants. We believe that the commitment to excellence represented by our support for programs for exceptional children must be enhanced.

This concludes my statement on Education of the Handicapped, Gifted and Talented programs. The following remarks address the Rehabilitation Services and Handicapped Research activities.

Rehabilitation Services and Handicapped Research

The 1982 budget request for Rehabilitation Services and Handicapped Research is $1,010,716,000, an increase of $44,841,000 over the 1981 funding level. These funds will support a wide variety of grants and projects targeted to helping handicapped individuals become gainfully employed or to live independently. Programs funded under this authority are specifically designed to reduce human dependency, increase self-reliance, and fully utilize the productive capabilities of handicapped persons. Priority is assigned to serving severely handicapped persons. The 1982 budget request focuses on programs which provide direct services to the severely handicapped, homebound persons, and those with multiple handicaps, including minorities in each of these categories, and on programs which attempt to address more comprehensively the needs of such persons. A major objective is to work toward the elimination of major service gaps for those who are most in need of services in order to live independently.

Rehabilitation Services

The amount requested for Rehabilitation Services is $975,360,000. This represents an increase of $44,741,000 over the 1981 funding level. The Basic State Grants program will be funded at $900,000,000 in order to maintain the 1981 service level. Since 1921, this program has served more than 20 million handicapped individuals and rehabilitated more than six million. Activities under the Basic State Grants program will continue to place priority on those most in need. Special efforts will be placed on improving management techniques to achieve greater effectiveness at the State and Federal levels.

Twenty-eight million dollars is requested for Special Projects, a decrease of $4,000,000. Two million dollars is requested to implement the Business Opportunities program in 1982. Although $2,000,000 was appropriated in 1981 for this program, it was reprogrammed to cover other program increases, mandated under the Continuing Resolution, for which no additional funds were provided. Of the remaining service projects, the 1982 request recommends the same level of funding for six programs and a reduction in two others. No funding is requested for two projects.

The Independent Living program, first initiated in 1979, will be increased by $3,000,000 to $21,000,000 in 1982. These funds will support about 90 independent living centers authorized under Part B of Title VII of the Rehabilitation Act. The Rehabilitation Training program will remain at $25,500,000.

National Institute of Handicapped Research

The 1982 budget request for the National Institute of Handicapped Research is $35,000,000, the same level as 1981. In 1981, the Institute submitted its mandated comprehensive long-range plan to Congress. This plan defines a wide range of recommended research, sets general funding priorities for the next five years, and defines the pattern for the Institute's direct and cooperative efforts to improve the lives of the Nation's 35 to 40 million handicapped persons.

In 1981, the Institute concentrated its efforts in areas defined by its legislation and by data on the needs of handicapped persons collected during its planning process. In 1982, the Institute will continue to support many of these efforts as well as other priority areas. Fiscal year 1982 funds will also be used to: improve the coordination of services between vocational rehabilitation and special education facilities; improve the integration of private management innovations into service delivery; and continue research to improve services to urban, rural and minority handicapped persons.

National Council on the Handicapped

The 1982 budget request of $356,000 for the National Council on the Handicapped provides an increase of $100,000 over fiscal year 1981. These funds will be used to carry out the mandates set forth in the 1978 Rehabilitation Amendments, including establishing general policies for the National Institute of Handicapped Research and for reviewing the operations of the Rehabilitation Services Administration and the National Institute of Handicapped Research; providing advice to the Secretary on rehabilitation and education programs for handicapped persons; reviewing and evaluating all Federal policies, programs and activities concerning handicapped individuals; and recommending ways to improve programs and services for the handicapped.

Mr. Chairman, my colleagues and I will be pleased to answer any questions you and members of the Committee may have regarding the programs of the Office of Special Education and Rehabilitative Services.

Biographical Sketch

NAME : Herman R. Goldberg

POSITION : Acting Assistant Secretary for
Special Education and Rehabilitative Services

EDUCATION : B.S., Brooklyn College
M.A., Columbia University Teachers College
LL.D., University of Rochester

EXPERIENCE

1/81 - Present : Assistant Secretary (Acting) of Special Education and Rehabilitative Services

4/80 - 1/81 : Deputy Assistant Secretary, Office of Educational Support

11/78 - 4/80 : Associate Commissioner for State and Local Educational Programs, U.S. Office of Education

7/71 - 11/78 : Associate Commissioner for Equal Educational Opportunity Programs, U.S. Office of Education

2/71 - 7/71 : Associate Commissioner for Elementary and Secondary Education, U.S. Office of Education

1963 - 1971 : Superintendent of Schools, Rochester, New York

1958 - 1963 : Coordinator of Instructional Services, Rochester, New York

1948 - 1958 : Director of Special Education, Rochester, New York

1949 - 1963 : Senior Lecturer in Education, University of Rochester

1943 - 1948 : Lecturer in Education, New York University and Teachers College, Columbia University

1939 - 1948 : Teacher, New York City Public Schools

ADDITIONAL EXPERIENCE

- Distinguished Visiting Professor, Oregon State University, Corvallis, Oregon
- Fulbright Professor, Facoltá di Magistero, University of Bologna, Italy and Consultant to the Italian and Israeli Ministries of Education
- Chairman, President's National Advisory Council on Education of the Disadvantaged
- Co-Chairman, UNESCO Conference, University of Novi Sad, Yugoslavia
- Delegate, U.S. - United Kingdom Colloquium, Ponsborne Park, England
- Delegate, West Africa Educational Mission, American Association of Colleges of Teacher Education
- Chairman, Ford Foundation Invitational Seminar on Instructional Television, Center for Advanced Studies in the Behavioral Sciences, Palo Alto, California
- Member, Ford Foundation Study Team, Educational Television for the Department of Education, American Samoa

- Commissioner, Elementary and Secondary Education, New York State Delegation to the Education Commission of the States
- Member, New York State Board of Regents' State Examinations Board
- Assistant Examiner, Board of Examiners, N.Y.C. Board of Education
- Assistant Examiner, N.Y. State Department of Education, Albany, New York
- Charter President, New York State Federation of the Council for Exceptional Children
- Member, New York State Teachers Retirement Board
- Moderator, Junior Town Meeting of the Air, CBS
- Member, American Federation of Television and Radio Artists
- Fellow, American Association on Mental Deficiency
- Fellow, John Hay Humanities Program, Bennington College, Bennington, Vermont
- Member, 1936 U.S. Olympic Team; Professional Baseball Player, American, International and Canadian-American Leagues

PRESENTATION OF CHARTS

Senator WEICKER. Go right ahead.

Dr. GOLDBERG. Three charts have been prepared which delineate each of the three major components of the Office of Special Education and Rehabilitative Services. In addition, we have prepared for your reference, miniatures of these charts which show each activity, and includes a space for any comment you might wish to record for your Q and A session. Copies of these charts have also been made available to those who have assembled here this morning for their information and copies are available to be inserted in the record.

[The information follows:]

OFFICE OF SPECIAL EDUCATION

PROGRAM	WHAT IT DOES		BUDGET	COMMENT
HANDICAPPED STATE GRANTS	-- PROVIDES FUNDS TO SEAS AND LEAS TO STRENGTHEN SPECIAL EDUCATION PROGRAMS · DIRECT SERVICES TO CHILDREN · STATE-UNIQUE ACTIVITIES · STATE ADMINISTRATION		$1,030,185,000	
PRESCHOOL INCENTIVE GRANTS	-- ENCOURAGES STATES TO EXPAND AND IMPROVE PROGRAMS FOR PRESCHOOL CHILDREN AGED 3 TO 5		$ 30,000,000	
DEAF-BLIND CENTERS	-- SUPPORTS EDUCATIONAL SERVICES FOR 6,000 DEAF-BLIND CHILDREN THROUGH: · ASSESSMENT, DIAGNOSIS · STAFF TRAINING · PROGRAM DEVELOPMENT		$ 16,000,000	
SEVERELY HANDICAPPED PROJECTS	-- DEVELOPS METHODS OF HELPING CHILDREN ATTAIN POTENTIAL · DEINSTITUTIONALIZATION · BEST PRACTICES · SERVICE DELIVERY SYSTEMS		$ 5,000,000	

OFFICE OF SPECIAL EDUCATION (CON'T)

PROGRAM	WHAT IT DOES	BUDGET	COMMENT
EARLY CHILDHOOD EDUCATION	-- PROVIDES EXAMPLES AND OPPORTUNITIES TO DEVELOP AND IMPROVE QUALITY OF PROGRAMS FOR CHILDREN FROM BIRTH TO EIGHT THROUGH: · DEMONSTRATIONS · OUTREACH · INSTITUTES	$ 20,000,000	
REGIONAL POSTSECONDARY VOCATIONAL, TECHNICAL AND ADULT	-- PROVIDES DIRECT SERVICES TO POSTSECONDARY DEAF STUDENTS -- DEMONSTRATE APPROACHES TO VOCATIONAL, TECHNICAL PROGRAMS FOR DEAF AND OTHER HANDICAPPED · PROMOTE SELF-SUFFICIENCY	$ 4,000,000	
INNOVATION AND DEVELOPMENT	-- FUNDS R & D -- ASSURES CONTINUES IMPROVEMENT IN QUALITY PROGRAMMING -- DISSEMINATES RESULTS	$20,000,000	
MEDIA SERVICES AND CAPTIONED FILMS	-- ADAPTS AND DISTRIBUTES EDUCATIONAL MATERIALS INCLUDING: · CAPTIONED FILMS · TV NEWS · CLOSED CAPTIONING -- MARKETS PRODUCTS -- DEVELOPS AND PROMOTES THE USE OF TECHNOLOGY	19,000,000	

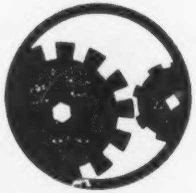
OFFICE OF SPECIAL EDUCATION (CON'T)

PROGRAM	WHAT IT DOES		BUDGET	COMMENT
REGIONAL RESOURCE CENTERS	-- HELPS STATES AND LEAS PROVIDE QUALITY EVALUATIONS AND PROGRAMS · IDENTIFIES PROBLEMS · DESIGNS AND PROVIDES TA · DEVELOPS EXPERTISE IN KEY AREAS		$ 9,750,000	
RECRUITMENT AND INFORMATION	-- DISSEMINATES INFORMATION TO PARENTS, TEACHERS ETC. · CLOSER LOOK · RADIO, TV ADS · INFORMATION PACKETS	Information	$ 1,000,000	
SPECIAL EDUCATION PERSONNEL DEVELOPMENT	-- FUNDS TRAINING ACTIVITIES FOR: · SPECIAL EDUCATORS · REGULAR EDUCATORS · SUPPORT PERSONNEL -- DEVELOPS INNOVATIVE METHODS TO TRAIN TEACHERS		$58,000,000	
SPECIAL STUDIES	-- PROVIDES INFORMATION TO DETERMINE PROGRESS IN IMPLEMENTING P.L. 94-142 · PREPARES CONGRESSIONAL REPORT · IMPROVES PROCEDURES AND PRACTICES · CLARIFIES POLICY	Report to Congress	$ 2,300,000	

OFFICE OF SPECIAL EDUCATION (CON'T)

PROGRAM	WHAT IT DOES	BUDGET	COMMENT
GIFTED & TALENTED	-- GRANTS TO SEAS TO SUPPORT STATE-PRIORITY PROJECTS -- ALSO, INCREASE CAPACITY OF STATES THROUGH: · MODEL DEVELOPMENT · RESEARCH · INFORMATION 	$ 10,000,000	

REHABILITATION SERVICES ADMINISTRATION

PROGRAM	WHAT IT DOES	BUDGET	COMMENTS
BASIC STATE GRANTS	-- PROMOTES GAINFUL EMPLOYMENT AND INDEPENDENCE THROUGH STATE OPERATED MATCHING GRANTS. (80% FEDERAL - 20% STATE) -- SUPPORTS INDIVIDUALIZED REHABILITATION PROGRAMS DEVELOPED BY CLIENT AND COUNSELOR INVOLVING TRAINED PERSONNEL AND SPECIALIZED EQUIPMENT AND TECHNIQUES. -- SERVES SEVERELY HANDICAPPED AS FIRST PRIORITY. 	$900,000,000	
SPECIAL PROJECTS	-- SUPPORTS NETWORK OF ASSISTANCE TO REDUCE DEPENDENCY. 	($28,860,000)	
	-- SUPPORTS OMBUDSMEN THROUGH STATE OPERATED **CLIENT ASSISTANCE** PROJECTS.	3,500,000	
	-- DEMONSTRATES **SPECIAL PROJECTS** FOR SERVICE TO THE SEVERELY DISABLED.	9,580,000	
	-- PROVIDES OUTREACH PROGRAM FOR **MIGRATORY WORKERS.**	1,530,000	
	-- SUPPORTS UNIQUE PROGRAM OF THE **HELEN KELLER CENTER.**	2,500,000	
	-- PROVIDES INFORMATION AND REFERAL SERVICES THROUGH STATE OPERATED **COMPREHENSIVE CENTERS.** 	2,000,000	
	-- UNDERWRITES SHORT-TERM **TECHNICAL ASSISTANCE** TO REHABILITATION CENTERS.	250,000	
	-- DEVELOPS COOPERATIVE AGREEMENTS FOR ON-THE-JOB TRAINING **PROJECTS WITH INDUSTRY.**	5,500,000	
	-- HELPS HANDICAPPED ENTREPRENEURS ESTABLISH AND OPERATE BUSINESS OPPORTUNITIES.	2,000,000	
	-- SUPPORTS PROGRAM **EVALUATION.**	2,000,000	

REHABILITATION SERVICES ADMINISTRATION (CON'T)

PROGRAM	WHAT IT DOES	BUDGET	COMMENTS
INDEPENDENT LIVING	-- ESTABLISHED CENTERS TO ASSIST SEVERELY HANDICAPPED INDIVIDUALS LIVE MORE INDEPENDENTLY IN THE COMMUNITY. -- THROUGH DISCRETIONARY GRANTS TO STATE AGENCIES PROVIDES COUNSELING, THERAPY, AND SKILL TRAINING. -- PROMOTES SELF-HELP INVOLVEMENT BY THE CLIENTS.	$21,000,000	
TRAINING	-- THROUGH DISCRETIONARY GRANTS SUPPORTS PRE-AND IN-SERVICE TRAINING IN REHABILITATION MEDICINE REHABILITATION COUNSELING FACILITY ADMINISTRATION PROSTHETICS-ORTHOTICS SPEECH PATHOLOGY AND AUDIOLOGY INTERPRETERS FOR THE DEAF VOCATIONAL EVALUATION	$25,500,000	

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

PROGRAM	WHAT IT DOES	BUDGET	COMMENT
REHABILITATION ENGINEERING CENTERS	-- DEVELOPS EQUIPMENT AND TECHNIQUES TO ENHANCE EMPLOYMENT. -- DEVELOPS NEW TECHNOLOGY ON ARTIFICIAL LIMBS AND BRACES TO IMPROVE INDIVIDUAL FUNCTIONING. -- DESIGNS AND DEVELOPS TECHNOLOGICAL SYSTEMS, SUCH AS READING MACHINES FOR THE BLIND, CONTROLS FOR CARS, ETC. -- STIMULATES PRIVATE BUSINESS AND INDUSTRY TO PRODUCE AND DISTRIBUTE ABOVE DEVICES.	$ 8,625,000	
RESEARCH AND TRAINING CENTERS	-- SUPPORTS RESEARCH IN MEDICINE (10), VOCATIONAL REHABILITATION (3), MENTAL RETARDATION (3), MENTAL ILLNESS (2), AGING (2), INDEPENDENT LIVING (1), AND DEAFNESS (1). -- CONDUCTS CONTINUING EDUCATION PROGRAMS TO UPDATE RESEARCH PROFESSIONALS. -- DEVELOPS NEW TECHNIQUES FOR VOCATIONAL REHABILITATION ADJUSTMENT AND COUNSELING SERVICES. -- CONDUCTS SPECIALIZED RESEARCH TO MEET THE NEEDS OF UNDERSERVED POPULATIONS.	$16,775,000	

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH (CON'T)

PROGRAM	WHAT IT DOES	BUDGET	COMMENT
RESEARCH AND DEMONSTRATION PROJECTS	-- CONDUCTS MEDICAL RESEARCH ON THE RESTORATION AND MAINTENANCE OF FUNCTION IN ACUTE DISABILITIES, SUCH AS HEAD TRAUMA, SEVERE BURNS, CORONARY HEART DISEASES, SPINAL CORD INJURY, AND END-STAGE RENAL DISEASE. -- DEVELOPS MODEL JOB OPPORTUNITY PROGRAMS FOR THE MENTALLY AND PHYSICALLY DISABLED. -- IDENTIFIES METHODS OF ASSESSING CLIENT READINESS FOR INDEPENDENT LIVING AND EFFECTIVENESS OF MANAGEMENT SYSTEMS. -- IDENTIFIES HIGH RISK INFANTS, PRENATALLY OR PERINATALLY, TO DEVELOP MODEL R&D SERVICE PROGRAMS FOR EARLY INTERVENTION. -- CONDUCTS RESEARCH ON NEEDS OF PARTIALLY SIGHTED, MENTAL HEALTH NEEDS OF THE DEAF, AND REHABILITATION TECHNIQUES FOR THE SENSORY DISABLED. 	$ 5,600,000	
UTILIZATION AND DISSEMINATION PROJECTS	-- MAINTAINS BROAD INFORMATION BASE ON DOMESTIC AND INTERNATIONAL RESEARCH FINDINGS. -- PROVIDES DATA ON DEMOGRAPHIC CHARACTERISTICS OF THE HANDICAPPED POPULATION FOR IMPROVED PLANNING AND EVALUATION OF REHABILITATION SERVICES. -- ASSURES THAT TECHNICAL KNOWLEDGE GENERATED FROM RESEARCH IS USED. -- DISSEMINATES INFORMATION ON INNOVATIONS WHICH WILL IMPROVE THE LIVES OF DISABLED PERSONS. -- MAINTAINS AN INTERNATIONAL PROGRAM FOR THE INTERCHANGE OF INFORMATION AND EXPERTS IN THE FIELD OF REHABILITATION. 	$ 3, 400,000	

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH (CON'T)

PROGRAM	WHAT IT DOES	BUDGET	COMMENT
FELLOWSHIPS	-- AWARDS FELLOWSHIPS TO SENIOR SCIENTISTS FOR PRACTICAL REHABILITATION RESEARCH EXPERIENCE AT RESEARCH AND TRAINING CENTERS, REHABILITATION ENGINEERING CENTERS, AND OTHER LOCATIONS	$ 500,000	
INTERNATIONAL SUPPORT	-- PROVIDES FOR PROCUREMENT OF SUPPLIES OR EQUIPMENT NOT AVAILABLE TO FOREIGN GRANTEES AND STIPENDS FOR VISITING FOREIGN EXPERTS WHILE IN THE UNITED STATES.	$ 100,000	
INTERAGENCY COMMITTEE ON HANDICAPPED RESEARCH	-- COOPERATES WITH ALL FEDERAL AGENCIES TO SHARE INFORMATION, AVOID DUPLICATION OF EFFORT, CO-FUND PROJECTS AND DEVELOP TECHNOLOGY. (CHAIRED BY DIRECTOR/NIHR)	(S&E FUNDED)	

POPULATIONS SERVED

Dr. GOLDBERG. The program of special education and rehabilitative services represents a continuum of opportunities for handicapped children, youth, and adults to improve their situations in life and to work toward gainful employment. In effect, the individuals served by these programs have been playing "catchup ball" since birth or since acquiring their handicap. Many are from families where parents for many years have been searching for the answers—medical, pyschological, educational—for their children.

Many parents have been confused, sometimes frantic, sometimes frightened about the life chances of their handicapped children. Increasingly, schools and rehabilitation service programs are being asked to respond to these needs.

HANDICAPPED STATE GRANTS

First, I would like to describe briefly the programs associated with the Office of Special Education. The heart and capstone of the special education program is, of course, the handicapped State grant program which provides support for an estimated 3,900,000 handicapped children between the ages of 3 and 21 in 57 States and territories. These grants assist the States to comply with the Education for all Handicapped Children Act which mandates a free, appropriate, public education for all handicapped children.

PRESCHOOL INCENTIVE GRANTS

The second program is the preschool incentive grants program, which provides formula grants to the States to improve services to handicapped children between the ages of 3 and 5. Many States do not mandate service for very young handicapped children—those specifically under 5—and this program has helped over the years and is helping now to improve opportunities for serving younger children.

DEAF-BLIND CENTERS

There are also a number of discretionary programs in the Office of Special Education concerned with the specific areas listed on the chart. The first is the deaf-blind centers, in which opportunity is made available for some 6,000 deaf-blind children in 16 centers. Programs are provided to educate these children and get them ready for their life's work.

SEVERELY HANDICAPPED PROJECTS

Another discretionary program is the severely handicapped projects which supports contracts to consider new ways to deinstitutionalize and to provide more advantageous and less restrictive environments for those children with multiple handicaps, often mental and physical, or emotional and physical, or in some cases, triply handicapped children.

EARLY CHILDHOOD EDUCATION

The early childhood education program, a discretionary program, is different from the preschool incentive program in that this program is used for development of projects that serve children from birth through 8 years of age with the major focus on ages 0 to 3. Why have a program for children directly from birth? It is at that time, Senator, where the mother and hopefully the father, too, will get the service that will relieve fears and anxieties—this concern, this search for answers—when a newborn child is identified as handicapped. In many cases, the service which we give to the parents in these programs is an important factor in keeping that family together. The early childhood program gives us an opportunity to examine and understand many things—this includes the importance for mother and father, when the child is still in their arms, to offer some of the beginning bombardment of language, the early lipreading instruction, the concept that the young baby needs to look at the mother's and father's faces to see that, as the mother and father talk, language is developing. Meaning is being created, and the child begins to get the idea that there are ways in which he or she, too, can communicate. This has been proven in many early childhood centers, one of the first of this type being the John Tracy Clinic in California where service to the child is predicated upon registration of the parent; and so in keeping with that concept of opportunities for very young children, this is included in our program.

Senator WEICKER. Isn't it true that the early intervention programs—I'm talking about programs which provide assistance to children 0 to 3 years of age—are a necessity as far as the child is concerned? I grant you everything is true as far as the parents are concerned, but as far as the child is concerned——

Dr. GOLDBERG. Obviously, the primary target of early intervention is the child.

Senator WEICKER. My retarded child has been going to school and he won't be 3 until next year, and he's been going to school for 2 years now. And I gather, in other words, that as more and more is known, that this probably is one of the more important aspects of the entire process.

Dr. GOLDBERG. This is a very important aspect and as a former nursery schoolteacher of the deaf I can attest to the fact that one of my most rewarding activities was helping a 2- or 2½-year-old child learn to speak and communicate. The partnership of the parents, the child, and the teacher was a great positive factor in my work with early childhood children.

Senator WEICKER. Let me just ask one question. In other words, all of the programs that I see where Federal funds are involved that deal with the children before 3 years of age would come out of this pot prior to 3 years of age?

Dr. GOLDBERG. Yes; the preschool incentive program serves children ages 3 to 5. The early childhood program serves those from birth through 8, with a major focus on birth through 3.

REGIONAL VOCATIONAL, ADULT, AND POSTSECONDARY PROGRAM

The regional vocational adult and postsecondary section of special education has to do with the opportunities primarily for the deaf but also for those with visual handicaps. In certain centers that Congress stipulated——

Senator WEICKER. Dr. Goldberg, I'm going to interrupt this hearing for 5 minutes only because I have to introduce an administration nominee which is going to take me about 5 minutes, and I don't want to just have you talk to the staff. I want to hear what you have to say myself. So if we can, let's recess this hearing for about 5 minutes.

[A brief recess was taken.]

Senator WEICKER. All right. The subcommittee will come to order and the witness will proceed with his testimony. Dr. Goldberg.

Dr. GOLDBERG. Thank you, Senator.

The program we were just beginning to review was the regional vocational adult and postsecondary program. This has to do with a section of the Education of the Handicapped Act in which the Congress stipulated that there be four centers established in four specific locations to serve handicapped individuals and give them opportunity for training in vocational education. These settings are on campuses, so students have normal social and academic interaction with nonhandicapped students. Programs were established in the Seattle Community Central College, California State University at North Ridge, St. Paul Vocational Tech Institute, and the Delgado College in New Orleans. Each of these programs serve handicapped individuals from a cluster of States and offers opportunity for both those who are preparing for work or who might be unemployed or underemployed.

INNOVATION AND DEVELOPMENT

The next program, innovation and development, is aimed at improving the skills of those who work with handicapped people, and at improving services to the handicapped individuals themselves.

While innovations and inventions and devices have been produced, marketed, and made available to the handicapped individuals, curriculum materials for use in the classrooms and colleges have also been improved, as have the skills of those who develop and use these new school materials. A number of new administrative manuals and assessment materials useful to local institutions, local school systems, and States, have been developed through this program.

MEDIA SERVICES AND CAPTIONED FILMS

The next program is a very popular one with handicapped individuals, the media services, and captioned films programs. As you know, this program provides free loan service of captioned films for the deaf. If one were to travel anywhere in this country and saw either through personal contacts or ads in the newspapers that local clubs for the deaf were showing a captioned film you would see the joys that result from this effort. Handicapped individuals get the films from Washington for a social and educationally entertaining evening and then return them after use.

This program has been expanded over the years to include support for recordings for the blind and captioning of programs on public broadcasting stations. The three commercial networks through captioned devices enable the deaf to see and enjoy many programs heretofore barred from their understanding.

The National Theater of the Deaf, which got such great forward movement through the efforts of Bernard Bragg and his colleagues and which received a great boost from the exceptional hit on Broadway last year in the play "Children of a Lesser God," starring Phyllis Freilich, a deaf actress, has helped thousands of hearing persons to understand the problems of the deaf and to enjoy the exceptional talents of deaf persons on the stage in professional performance. A small grant to the National Theater of the Deaf is also made available through this program.

REGIONAL RESOURCE CENTERS

The regional resource centers program provides opportunities for State education agencies and local school systems to have some additional help to work on persistent problems in implementing Public Law 94-142. It has long been said that all the great knowledge in special education is not based in Washington. I agree with that. I also believe that not all the important and incisive knowledge on special education procedures is found in the States or in the local school systems. It is that partnership of the best talent that is in the employ of the U.S. Government in Washington, the State education agencies, and the local school districts which provide, together, this great understanding which is so important.

We are hoping that States and local agencies will use the services of regional resource centers and the staffs that are connected with them to work on these problems that have need for better understanding for parents, for school people, and for other agencies as they work in tandem. We pledge that our team in the regional centers will work cooperatively with States and locals.

RECRUITMENT AND INFORMATION

The next program is recruitment and information. One can hardly hear radio programs in a car or watch TV for any period of time without becoming aware of a public service ad called "Closer Look." Through these public service announcements, pleas are made to the people of the Nation to locate and refer for service handicapped children and adults. These public service announcements have resulted in great increases in numbers of individuals who have been found and who have been referred for service. Much of the effort of this program has gone into the recruitment both of individuals for service and also to encourage those who would enter the teaching profession to consider special education and rehabilitation as their specialty.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

The special education personnel development program has been, since 1966, a very potent program for this Nation to help assure an adequate supply of trained personnel. The struggle often comes when one tries to decide how many teachers you need in certain areas. As teacher supply and demand has gone up and down, the demand for teachers of special education seems never to have gone down. This is due to the increased child find, improved understanding and use of resource teachers, and the fact that school systems now provide early intervention for handicapped children rather than keep them on waiting lists to be served only when they get around to it.

SPECIAL STUDIES

The special studies program is one that identifies ways in which we must evaluate whether the program elements are working. Are the individual education programs set forth in writing proving fruitful? How do we know? These have to do with surveys of special education services. New studies will deal with the special education pupils in regular schools; those in migratory patterns, many of those whom are Hispanic; as well as trying to find out what the law stipulated and whether what has been implemented.

GIFTED AND TALENTED

The gifted and talented program is an extremely important one, since it serves a group of young people who may some day unlock the secrets of the human problems that lead to the need for special education. The gifted and talented program in this Nation is supported with a modest Federal effort, with the States and locals offering in many cases enriched programs in regular grades, special classes, special opportunities, advanced placement, et cetera. In many ways, this program serves the top talent of this Nation from whom we might be able to get the germ for the eventual self-extinction of all the other special education programs.

REHABILITATION SERVICES

I would quickly move to the next chart and talk about the Rehabilitation Services Administration which since 1920, for more than 60 years now, has been a stalwart program of public vocational rehabilitation. It was originally developed to serve physically disabled men and women in the labor force, mostly amputees. In the early years that program moved along slowly. In 1973, the Congress passed rehabilitation amendments mandating that services be broadened and that services to the severely disabled be emphasized. New directions came from the Congress in the 1978 amendments where, for the very first time, the Congress decreed that those individuals who were not candidates for employment should have a program to train them for independent living. That's a very exciting program that I will discuss briefly, and then Mr. Sachs as head of the RSA program later can expand on. Once again, the capstone of this program is the basic State grant program, an 80-percent Federal/20-percent State matching program.

BASIC STATE GRANTS

The State vocational rehabilitation agencies in almost half the States are counterparts to special education programs and report to the State commissioners of education. Three States are considering legislation now to place the VR agencies in their State departments of education. The remaining State VR agencies are separate agencies, mostly reporting to another State officer or to the Governor.

The individual written rehabilitation plan for rehabilitation clients is a parallel to the IEP's for students under the other program. Here a rehabilitation counselor serves as the quarterback of a team of people who, with the client and the parents, if appropriate, set forth a plan in which counseling, evaluation, training, additional medical treatment if indicated, provision of prosthetic or orthotic appliances, and placement and followup services are outlined with a tentative time plan for how long this project might take.

The directive from Congress indicating priority of service for the severely disabled has paid off because, in 1973, 32 percent of the total number of individuals rehabilitated were categorized as severely disabled. In 1980 this number increased to 51 percent of our caseload.

Senator WEICKER. Dr. Goldberg, if you could, I want to make sure that we have time to ask questions and I have quite a few questions to ask.

Dr. GOLDBERG. Let me just indicate that staff is here to respond to any questions.

Senator WEICKER. Continue with your presentation, but I'd like to get to the point where we can ask questions.

REHABILITATION DISCRETIONARY PROJECTS

Dr. GOLDBERG. The migratory workers program utilizes the computerized record transfer center at Little Rock which is also used in the migrant program under the Department of Education. The Helen Keller Center chooses individuals from different satellite centers to come to learn how to work more independently. There are 10 comprehensive centers, 1 per region, offering technical assistance services. The technical assistance program offers short-time technical assistance lasting from 1 to 3 days. Many rehabilitation facilities need the help of a specialist for 1 day and there is a line in the budget offering consultant service to those with problems who can be helped with short-term consultant service.

Projects with industry provide training and support programs emphasizing permanent jobs, not just work training programs. Private industry cooperates with the Government on these projects.

The business opportunities program would help handicapped people operate, develop, and market products coming out of their own businesses. We also have an evaluation program. The independent living program may be one of those on which you wish to ask some questions. We are very excited about that. That program has great potential for the future. Finally, there is a rehabilitation training program.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

On the third chart, the National Institute of Handicapped Research, the newest unit of the combined Office of Special Education and Rehabilitative Services, you will note a series of programs called rehabilitation engineering centers. These are located in clinical settings often in collaboration with schools of medicine and schools of engineering, and are designed to develop new technology on artificial limbs and braces, always seeking lighter materials, stronger materials, more durable materials, yet those that will be comfortable for the handicapped person; reading machines for the blind, improved controls for cars for the handicapped. They also try to stimulate private business and industry to produce and support some of these projects with their own venture capital.

One example of how these institutes are assisting our program stems from the Smith Kettlewell Institute of San Francisco which has been developing a sensory aid for the deaf-blind individuals. In effect, what it does is take the teletypewriter, which you're familiar with, a device in which deaf people can telephone their friends who have a teletypewriter, by putting the phone in it and typing a message that appears on the screen. This Institute is preparing an instrument that has a base at the bottom and as a message is typed on this machine, metal pins pop up in a frame at the bottom forming the braille cell. So it enables the deaf-blind to get phone calls from hearing people, from sighted people, and from other deaf-blind people. This device will send messages across the base of this machine through metal pins and it keeps rotating like the sign around the old New York Times building in New York City, and the pins drop down at the end of the line and then go through the box.

The Smith Kettlewell Institute, collaborating with Telesensory Systems in Palo Alto, have produced the prototype of this machine.

There are research and training centers, demonstration projects, utilization projects, fellowships through which senior scholars from around the world are offered opportunities to come to the National Institute of Handicapped Research—this is a first-time program—and work with our staff here in developing some of the skills they have developed in other parts of the world.

The international support program is well known. It again uses the opportunity for international exchange of information.

INTERAGENCY COMMITTEE ON HANDICAPPED RESEARCH

The establishment of the Interagency Committee on Handicapped Research is probably the most important development that the Congress has asked our office to undertake and that is to make very certain that there is no duplication or overlapping of research on the same facets of the same topic. Dr. Scadden, the acting head of that program who is here today, is the chairman of that committee. It meets four times a year and is devoted to ferreting out research projects which seem to focus on similar areas and which might better be handled together. He is the person who is emphasizing cofunding. As the senior partner, NIHR puts in most of the funds, but NIH, NIMH, and other governmental agencies are urged to come in as partners and put some of their own funds in. They then have those funds to protect and try to work with us on more effective research in handicapped rehabilitation.

Thank you, Senator. My colleagues and I will be available to answer any questions you wish.

BLOCK GRANTS

Senator WEICKER. There's a proposal to include the appropriations for education for the handicapped in a consolidated educational block grant and the block grant would lump many educational programs together and provide 80 percent of present funding to States for uses they see fit.

Critics of this approach maintain that the Federal Government became involved in education for the handicapped as many States failed to provide appropriate education for these children. These critics argue that the block grants would signal that States could again do as they please.

I'd like to have the response of you or your colleagues to such a criticism; that is, in other words, that the block-grant situation will pull us back several decades where maybe you might have 10 or 12 States doing the right thing and maybe another dozen States that are coming close to doing the right thing, and maybe the great majority of the States that aren't doing anything. This is obviously why the Federal Government got involved to the extent that it did, which is not to say that all wisdom resides in Washington, D.C. On the other hand, I think that there are specific situations, this being one of them, where clearly were it not for the Federal leadership States wouldn't have gotten involved to the extent they have gotten involved. Now you're just throwing it back in their lap and I would like to know what you think will happen and what your view on the block-grant program is.

Dr. GOLDBERG. Senator, I would say at the outset—and my colleagues certainly may wish to supplement what I say—that it's been made clear to us that no program is immune from this great struggle the administration is attempting to deal with the major problem of the economy. Notwithstanding that, we do understand that the gains made over the years in improving service for the handicapped in the States must be preserved. It is of little advantage to have made a good and an important start in broadening the services to handicapped individuals over a period of time—say one or two decades—and then to find that perhaps those gains might not be preserved. It is a matter of great concern to us.

While ours, along with other programs, have been identified as not being immune from reductions in appropriations, I would say that the States of this Nation have been doing better over the past few years on more uniformly providing services that were rather scarce in previous years. I believe that they want to continue to maintain their rate of progress.

This is a highly mobile society, Senator, and a family with a handicapped child living decades ago in one part of the country and moving to another part would have had to search very hard to find school facilities that they felt would compare favorably to those in the community from which they were moving. Now, more uniform services are available throughout the States. The gains States have made are important to preserve. We certainly will do whatever we can with the tools available to us to help the States and the localities preserve those important programs.

MONITORING OF BLOCK GRANTS

Senator WEICKER. There are really two questions that we're discussing here: That of funding and that of the block-grant approach. Now who's going to monitor if we do go into a block grant? Let's just talk about the system. Forget the funding for a minute. If we go into the block-grant-type approach, who's going to monitor whether or not the States are delivering the type of services that used to be delivered under the direction of the Federal Government? Who's going to monitor that or is it going to be monitored at all?

Dr. GOLDBERG. Public Law 94–142 places the responsibility on the State education agencies to provide this appropriate education. We would expect that the States would continue this effort not only with the funds coming from the Federal legislative authority but also from their own legislative authority. Secretary Bell and his staff, I'm certain, will give us direction soon as to how any future legislative authority will require services of the Federal staff to insure the proper utilization of those Federal funds, and we are awaiting that direction.

I think it's a bit early for the staff to know how such a proposal will be affected by the continuity or discontinuity of Federal monitoring. We do predict that the uppermost thought will be service to the child.

USE OF BLOCK-GRANTS FUNDS

Ms. CHRISTENSEN. Mr. Chairman, we'd also like to make it clear that these funds are not general aid funds. They still will have to be targeted on those four major areas of children—that is, disadvantaged, handicapped, children in schools undergoing desegregation, and adult illiterates. In addition to that——

Senator WEICKER. Let me just stop you there. You say under—what proposal are we talking about?

Ms. CHRISTENSEN. The block-grant proposal.

Senator WEICKER. Under the block-grant proposal of the administration?

Ms. CHRISTENSEN. Yes.

Senator WEICKER. They are advocating what?

Ms. CHRISTENSEN. The intent is that the funds in the local education agency block grants will be used for those particular categories of children. It is not general aid. However, the assumption is that it will be up to the States, in this case the localities, to decide what mix of the funds among those four priority areas would be used.

One of the assumptions is that now that the States have received varying amounts of aid to expand and improve their management, program, and administrative capabilities over the past 15 years, they are now in the best position to make some of these determinations. This is part of the block-grant proposal.

Now it's also true that we have not gotten to this second step yet of developing specifications such as allocation formulas, supplement-not-supplant provisions, matching requirements, accountability, and things like this. That is the second step that we will be taking up very shortly. In doing that, Secretary Bell has been very adamant about involving the education community from both the local and the State levels in helping us in drafting these provisions. He is inviting their input and their suggestions and, of course, those of Congress. Secretary Bell is interested in getting everybody's concerns into this.

Senator WEICKER. Now you say that you have had 15 years experience or the States have had 15 years of experience, am I correct? Is that the time factor.

Ms. CHRISTENSEN. Roughly, if you go back to the Secondary and Elementary Education Act.

Senator WEICKER. Fifteen years experience with these various programs. Now as you look at the 50 States and they have all had this experience, do you find there's any disparity in the quality of delivery as between the States even with Federal direction?

Ms. CHRISTENSEN. I'm sure that there is disparity between the States and I'm sure Dr. Goldberg can speak to that in the area of the handicapped.

Dr. GOLDBERG. Senator, I would indicate that historically in certain States, educational programs are stronger or weaker because of a variety of influences. For example, New York State was the first State to enforce the terms of an audiometer act requiring annual hearing tests for every child. This, I am told, came about because the Governor of New York State at that time was vitally interested in hearing handicaps. He himself may have had a hearing problem. I do not know. Another Governor who had a school-age relative with a history of a certain handicap ordered the State university colleges in that State to institute a program for teacher candidates that required courses in education of the handicapped child.

So there are certain reasons why programs may be boosted in certain States. There may be increased State financial formulas for handicapped education in some States. Others may emphasize library services over and above what other States do. There is a history of unevenness of support.

IMPACT OF BLOCK-GRANT SYSTEM

Senator WEICKER. Don't you feel, or do you feel that if we go to the block-grant system that there still should be certain minimum standards in order for a State to be eligible for the moneys under a block-grant system?

Dr. GOLDBERG. I think that there will be forces that will work toward the retention and the protection of those funds for the purpose intended by the Congress. There will be debates. There will be struggles among groups for the share of those funds that they believe should go to their causes.

Senator WEICKER. I think what bothers me right now is that at least—not just in my own State, but as I view other States—Virginia, Maryland, those round the District—Connecticut, New York, back in my area of the country—I have seen a diminishment of the funds available to education. Let's just talk about the last couple years. I have seen those funds diminish, which they have, the funds allocated at the local and State levels for education. I have also seen a tendency to satisfy the majority, if you will, with what funds are available.

Now what concerns me, if that's been the case in the last couple years when we have had a cutback, what's going to happen if you have both a further cutback in funds and a setting of the power in the hands of the State and local governments? In effect, isn't that really again going to create a situation where the powers to be are going to play to the politics of the situation and the politics of the situation clearly are in the hands of the majority, not the minority who would be invariably involved in the various programs which you're discussing?

Dr. GOLDBERG. Senator, I would never underestimate the power of the parents of handicapped children. Parent groups from the turn of this century have been the most important influence in the development of the programs. Individual parents clustering with other parents have gone to school authorities since the early 1900's to bring about the construction of new facilities, and the development of special classes. Parents of handicapped children of this era, I do not think, will behave differently.

Senator WEICKER. Well, I wouldn't argue with the statement you make because it applies to the history up until the last couple years and, quite frankly, I think now they're caught in a pretty heavy crossfire here where I'd say the last 2 years have not been that easy sledding at all. I think they're the ones that have felt the budget crunch the most. I'm not saying that they don't argue for the proper cause and that they don't do it very effectively. I don't say that at all. I just say, do I think that they are getting the funds? No, I don't. I don't. As the funds have become scarcer and scarcer, they are the ones that have been squeezed out to a far greater degree in proportion than the majority of the schoolchildren, the majority of those that are being educated. I raise this point because it seems to me that the situation is going to be exacerbated by a combination of fund cutbacks and a block-grant system.

Please, all of you comment. That's just my opinion, but I'm looking for your opinions. I think we all are, and you're far more expert than I am.

BLOCK-GRANT ADMINISTRATIVE COSTS

Ms. CHRISTENSEN. Mr. Chairman, another premise on which the block-grant proposal is based is that the reduction would be to a great extent offset by the reduction of administrative costs at the local and State levels through the block grant as well as the increased flexibility.

We currently have—it's a very, very rough estimate—but roughly 13 percent of the moneys that go into block grants are currently pulled off at the Federal and State levels for administration. So there would be some large offset savings there and that is one of the premises on which the block grant is based.

BLOCK GRANTS AND DISCRETIONARY GRANTS

Senator WEICKER. Part of the appropriation for education for the handicapped pays for services such as specialized centers for deaf-blind children, seed money for innovation and development of new techniques for teaching the handicapped, and various projects to provide special education media resource for the handicapped.

Who's going to pay for the services under a consolidated block-grant system?

Dr. SONTAG. It's my understanding, sir, that some of those programs are scheduled to remain in Washington to be administered by the Federal Government; specifically the deaf-blind program, the special studies program, and a portion of our innovation and development program. The remaining portions of our discretionary programs—early childhood education, special education personnel preparation—are scheduled, as we understand at this time, to be distributed to the States. Local agencies will apply directly to the State education agencies for those funds.

Senator WEICKER. Does anybody have any idea what plans the administration has if no State is willing to pay for these services?

Dr. SONTAG. To my knowledge, no specific information has been made available to us.

SPECIAL EDUCATION PROGRAM COMPLIANCE

Senator WEICKER. It has been charged that many school districts receive handicapped State grant funding but fail to comply with requirements of the Education for All Handicapped Children Act. By what means does the Department presently monitor compliance?

Dr. GOLDBERG. The schedule of monitoring visits by teams from Washington will be maintained. The opportunity for, again, emphasis on technical assistance rather than on compliance will be there, although there are results of monitoring visits which indicate gaps in service which, through an exit interview and later a written report, can be brought to the attention of the authorities at the State and local level and improved service can be expected. We do intend to do the monitoring that we are able to do with these State programs. The protection of public moneys to see that they are spent for the purposes Congress appropriated them is still a major role for Federal staff.

Senator WEICKER. Has the Department ever referred any case of noncompliance to the Justice Department?

Dr. SONTAG. No, sir.

Senator WEICKER. It has not?

Dr. SONTAG. No, sir; we have participated with the Department of Justice in other matters relating to the education of handicapped children.

SPECIAL EDUCATION GAO REPORT

Senator WEICKER. Under the education for the handicapped children program, all children termed to be handicapped are supposed to be provided with an individual education plan. GAO reports many school districts did not have plans for all students or, even if they do, the plans are drawn without proper consultation with parents as the law requires; and what is the Department's response to the GAO's criticism?

Dr. GOLDBERG. The GAO draft report brought conditional responses from the staff. A final response is now being developed. That response is due to the GAO on March 16. I have come aboard just in the last few weeks, Senator, and in working with the staff to develop those responses as they have asked a number of important questions that need further review. I personally am involving myself along with top staff on the background of all the questions GAO has asked. Within a very short while, on the 16th, we will have responses ready.

PRESCHOOL INCENTIVE GRANTS

Senator WEICKER. The preschool incentive grant program provides funds for identification and education of handicapped children age 3 to 5 years. It's generally believed that the earlier a handicap is identified, the better the child can be served and the more servere handicaps can be avoided.

How many States have set up programs for handicapped preschool children as a result of preschool incentive grants?

Dr. SONTAG. At the current time 48 States have participated. The only States not participating are New Mexico and Arizona.

EARLY CHILDHOOD EDUCATION

Senator WEICKER. How many are involved in some form or another in the early childhood education moneys for whatever programs that develops?

Dr. SONTAG. From the latest data available to me, we're saying that all 50 States and territories are also participating in the handicapped children special education program.

MONITORING OF DISCRETIONARY GRANTS

Senator WEICKER. The $20 million figure in the budget, how is that monitored by your Department? What are you going to do—let's just take that program only because I have some familiarity with it. Now let's assume we have—why don't you tell me exactly what you do right now as far as any projects under that category are concerned. What does your Department do in the sense of examining the program? How do you monitor it?

Dr. SONTAG. There are three vehicles that we use to monitor a discretionary grant/contract program. One is the onsite visits, inspections where we view the scope of the grant, the contract introduced, and review performance, provide technical assistance if needed, provide specific corrective action as needed, and in fact if the problems are serious, a recommendation for termination is made. In view of some restrictions in the last few years, we have developed some alternative strategies for monitoring projects and developed specifically ways to try to monitor projects on the phone, which is not the best of all possible worlds, but it's an alternative for us to get information.

We also are working more toward inviting project directors to come to Washington where we will meet with them to review the projects.

EARLY CHILDHOOD EDUCATION AND BLOCK GRANTS

Senator WEICKER. Now let's move over to a block-grant system. Is there any guarantee that that type of a program covering the period of time from 0 to 3 years of age would continue?

Dr. SONTAG. At this time I have not seen the details yet on the role, if any, of the Federal Government in monitoring discretionary programs, but this program specifically would be scheduled to be administered by the State and there would be less of a Federal involvement in monitoring.

Senator WEICKER. So it's possible that the State would not have such a program?

Dr. SONTAG. It is possible; yes.

Senator WEICKER. And would you say that—are you a doctor? Do you have a background here in this?

Dr. SONTAG. I'm a trained special educator.

Senator WEICKER. A trained specialist in this area. Would you agree that the state of the art right now is such—or the state of knowledge is such relative to this type of program that it should continue, that this is important in the sense of how we view the development of a child, the education of a handicapped child, that this is an important aspect of any solution?

Dr. SONTAG. I think some type of an early childhood program should continue. If you look at all of the 13 programs described on that chart, it is one that some of us have been associated with the handicapped for years are the proudest of. It takes kids many times at birth and prevents them from having to spend the rest of their life in institutions and in restrictive environments. We have had some data that these programs work, are cost beneficial to society.

So, from that answer, I would personally hope that there was a strong effort to continue early childhood programs.

Senator WEICKER. Well, you see, this now gets—just using this as an example, this best illustrates my concern with the block-grant approach. That's why on this particular area—and I'm sure it might very well apply to others too that other people have knowledge of that I lack. I'm just wondering whether or not the removal of the Federal Government is necessarily going to achieve the best results as far as the children are concerned. I don't argue the point that was raised here that you save on administrative costs. I'm sure that is a plus. Well, anyway, that's what we are here to try to determine.

DEAF-BLIND CENTERS

In fiscal year 1981, it's estimated the deaf-blind centers will serve 6,100 children. What percentage of the total deaf-blind child population does this represent?

Dr. SONTAG. The count of approximately 6,000 children represents about 98 percent of the entire population. We do have a problem in identifying some of the younger deaf-blind children in that category. Many times they are served in other programs through preschool years up until age 8 or 9 before they are placed in specific programs for the deaf-blind.

SEVERELY HANDICAPPED PROJECTS

Senator WEICKER. The severely handicapped projects program has been level funded at $5 million since fiscal year 1977. Who does this program serve?

Dr. SONTAG. It's primarily a demonstration program. It was created about the time of the passage of Public Law 94–142. It serves as a model for the children who are new to the public school sector and at the time are severely and profoundly handicapped individuals. It's not a service program. The program has been very successful in demonstrating that these children can be served effectively in public schools of our country.

INNOVATION AND DEVELOPMENT

Senator WEICKER. In innovation and development since fiscal year 1978, $20 million has been appropriated for innovation and development. What contributions have been made to better education for handicapped children as a result of this appropriation? I'd like to hear some specific examples of this innovation and development program.

Dr. SONTAG. There are two major components to the innovation and development program, Senator. One is an applied research program. We are looking for information that can be quickly and speedily given to the consumers of information. In some few cases, we have participated in inventions of new technology. An example there is the Kurzwell reading machine which is at the national dissemination point and attracting national attention. It can read and turn into verbal message the printed page and is quite helpful to the visually impaired community.

We have used our research money to support development in that area. The research program is involved in curriculum development in other areas where commercial suppliers and publishers would not necessarily be involved for lack of market. So we have used that applied program to develop materials specifically designed for use at the classroom level and a great deal of money in the past year has gone into those areas.

Senator WEICKER. Do you think the States are going to pick up the ball here in this area State by State?

Dr. SONTAG. The demands for new information to educate handicapped children are tremendous. As we make more progress in educating the children each year, we are finding that there's a lot further that we still have to go. I think those individuals who are involved in research and demonstration—and as Dr. Goldberg has said, parents will continue to make those demands—there will be some new ways to administer the funds and it's difficult at this time I would think to project how well the States will pick those up, given the needs for more direct services the States would be responding to.

PRIVATE SECTOR INVOLVEMENT

Senator WEICKER. I certainly don't see—I realize that much of the reasoning behind the budget that's being presented is the private sector will pick up much of the slack. I don't see anything that is particularly appealing in a commercial sense to the private sector. We're not dealing with that many people that they're going to supply the impetus. I worry about whether or not the states, with the exception of some that are obviously rich in natural resources, having the moneys to put into R. & D. It seems to me they've got everything they can do just to keep their head above water on a day-to-day operating basis. So I wonder if this isn't exactly the type of thing that if the Federal Government doesn't do, it isn't going to be done either by private or by another political subdivision.

Do you wonder about that as far as that particular program is concerned?

Dr. SONTAG. Senator, again, we have not had a chance to see the administration's exact proposals in this area, but I'm sure we will respond to the needs of the handicapped people.

Senator WEICKER. I don't blame you all for being cautious. You're not like me, and I wasn't put into office by Ronald Reagan so I can speak for myself, and I can ask these questions and I can appreciate your natural caution.

On the other hand, I think that it's terribly important in this instance to get expert advice. I don't pretend to be an expert in this field and the ones who you represent in terms of who you are serving really don't have many paid lobbyists around here so their voices are rather soft voices in this whole process also. And I'm really trying to develop an accurate record here upon which at least this Senate committee can act, and I think there are some real questions to be raised.

I get asked the question many times by people, why are you a Republican? And I answer, "Well, certainly one of the general principles that I still think applies to myself and my fellow Republicans is that we tend to go to the lowest political subdivision for solutions." I don't look to the Federal Government to solve the problems. I prefer it be done first in the private sector, then local, then States, et cetera, and then the Federal Government. But the Federal Government does have a role in this whole area of the handicapped or the disadvantaged, the whole area that those that are disadvantaged either physically or economically or in terms of knowledge, et cetera. These people are something quite special, this is why the Federal Government should take the lead in serving this population. Somebody has got to speak up for them. This comes really very much home in the sense of the people that are discussed in this budget or covered in this budget.

Dr. SONTAG. Senator, I think there are two kinds of answers that I would give to you about these programs. I have been associated with most of these programs for approximately 9 years in Government service and I think they represent some of the best investments the Federal Government and Congress has ever made. I think they are solid programs. There's no question we can provide evidence they work well and they are a wise expenditure of public funds.

The second part of your question I am a novice at. I have no experience in block grants, for instance. I don't know how they will work. If we are told there will be block grants, the services will continue to the handicapped children.

Senator WEICKER. That's an honest answer.

NATIONAL THEATER FOR THE DEAF

For a number of years the Federal Government has supported the National Theater for the Deaf and for the Blind with a small sum of money each year. Would the block-grant program continue to support these enterprises or is this something that's still yet to be determined?

Dr. GOLDBERG. I believe that is correct, Senator; that one is not at this time included in the block grant program.

Senator WEICKER. It is not included?

Dr. GOLDBERG. I believe so. It has a national focus and will need our continued support.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Senator WEICKER. Since 1966, the Federal Government appropriated $618 million for special education personnel development. Why should the Federal Government be responsible for the training of this special class of teachers?

Dr. GOLDBERG. I think I can start by indicating that a person's initiative is not always his or her own and there needs to be outside stimuli somtimes in the nature of training grants to induce those in the education of children in the regular grades or those about to enter the teaching profession to want to enter the field of special education. This is a very difficult area of teaching. It requires a full immersion of the teacher's strength and understanding. It requires additional activity with parents, working out the IEP's but also seeing that they are the proper plans for the children. There are innumerable in-service conferences, individual materials have to be prepared. The paucity of the commercially available materials is well known. Special education teachers work nights and weekends on charts and individual projects for children's use. When you come home at the end of each working day as a special education teacher, you generally are wiped out if you've given your day's service. These training grants will provide funds to enable teachers to get graduate training and specialized training.

Senator WEICKER. I don't disagree with you at all as to the extraordinary effort required mentally and physically to participate as a teacher in this area. However, don't you feel that—well, let me ask you a question. First of all, is there a glut of these teachers on the market?

Dr. GOLDBERG. No.

SHORTAGE OF SPECIAL EDUCATION TEACHERS

Senator WEICKER. Or is there a shortage?

Dr. GOLDBERG. There is a shortage of special education teachers.

Senator WEICKER. Then why wouldn't the free market principle operate here whereby it would be to the advantage of persons to go into this field since I think I'm correct when I say there are a great many more regular teachers than there are jobs nowadays?

Dr. GOLDBERG. The tragedy of the situation is that many with skills that would help children learn are going into other professions, and they are completely avoiding the teaching profession. To retain those who have an inkling that they want to teach and to prepare them as special education teachers requires these extra incentives.

Dr. SONTAG. If I might add to Dr. Goldberg's answer, a major part of the personnel issue program is the training of regular educators. One of the major parts of Public Law 94-142 is that children be educated in a regular environment and exposed to regular school and regular classroom if possible. There are 16,000 school districts in the United States. We have made a major effort and spent about $20 million annually to assist regular school systems, regular colleges of education, so that the teachers—regular classroom education teachers—music teachers, industrial arts teachers, third grade teachers—can be equipped to deal with the moderately and severely handicapped child.

GIFTED AND TALENTED

Senator WEICKER. This year the budget proposed to move the appropriation for gifted and talented to the program for the handicapped. What's the rationale for the change?

Ms. CHRISTENSEN. Mr. Chairman, the rationale for that was strictly an organizational decision. When the Department was organized last year that was moved under the Office of Special Education and Rehabilitative Services and we followed the appropriations structure along the organizational lines primarily in order to faciliate hearings here, as well as internal management within the Department.

COORDINATION OF VOCATIONAL REHABILITATION PROGRAMS

Senator WEICKER. All right; several federally funded agencies employ vocational counselors to develop jobs for the handicapped. These agencies include Vocational Rehabilitation, Employment Service, CETA, prime sponsors of the opportunity industrialization centers, and community action agencies. What can be done to prevent the duplication and overlap resulting from vocational counselors representing different agencies all developing training employment plans for the same handicapped individuals?

Let me ask the followup question: How would you suggest consolidating federally funded agencies providing vocational education services to the handicapped?

Mr. SACHS. First, Senator, let me say that I think there are enough disabled people with serious problems so that the problem is not that there are too many programs providing vocational counseling. I think the problem you're identifying is lack of coordination. The public vocational rehabilitation programs are only one of the agencies you mentioned and a number of States have, at least according to the data we get, effective collaborative work relationships. That's not true in all places. In some places the walls go up and there is an overlap. The only saving grace is that there are not many people who are being served in more than one of these individual places. There aren't many of them who are shopping around and getting into each one. There are some that do, but I don't think there's any one answer and I suspect that people who go to any one of those programs for the kind of service you're describing probably have the opportunity of getting their needs met.

Senator WEICKER. Do you think there should be a consolidation?

Mr. SACHS. Among the programs you mentioned?

Senator WEICKER. Yes.

Mr. SACHS. I think there's a great need for closer working relationships. I'm not sure what the most effective way of achieving that would be.

REHABILITATION GAO STUDY

Senator WEICKER. A study completed in 1978 implementing the Rehabilitation Act of the VR program response found that 19 percent of the clients listed as rehabilitated were unemployed 4 to 6 months after they were rehabilitated. Another 25 percent rehabilitated clients were working in jobs below the minimum wage. What efforts are being made to minimize placement of handicapped persons in jobs which are unstable and low paying?

Mr. SACHS. We assume you are referring to a study done by GAO. The GAO has done a great service to the vocational rehabilitation program. It provides some resources for identifying problems that we're really not able to handle with the level of staff resources we've got. So we always take very seriously the findings of the General Accounting Office in terms of the operation of our program. We take it seriously but we also are concerned about whether or not their opening of small windows really gives the appropriate picture of the program operating in each of the States. I want to state by way of background that we respect their judgment.

We try to operate and develop corrective action plans to address real problems, but we are conscious of the fact that in carrying out their studies they are looking at discrete States and they don't always represent problems in every State.

Our methods for corrective action generally are used by our regional office staff—the Rehabilitation Services Administration operates on a decentralized structure with regional offices being the primary focal point for direct action with the States. The regional office working with the State that was examined by GAO, in the particular instance you mentioned, developed a corrective action plan.

If the GAO report is generalized and does not address a problem in a given State, what we will frequently do is ask the States through the appropriate regional office to look at whether or not the State has a particular problem of the type identified by GAO. If they do, then a corrective action plan is developed.

UNFUNDED REHABILITATION AUTHORITIES

Senator WEICKER. On the matter of rehabilitation service projects, would the administration favor deleting from the statute those provisions of the 1978 amendments for which it has not requested funding? Can anybody respond to that?

Mr. SACHS. That discussion has not taken place. Congress enacted certain authorities for activities in the VR program that it felt offered some promise. While the times have not been right for funding, I don't think that is necessarily a measure of the lack of utility of that activity, it's just, in a sense, put in a drawer temporarily.

OMB CONSULTATION ON BUDGET CUTS

Senator WEICKER. Let me ask you one question in all of this that crosses my mind. This budget which we received up here was apparently conceived in a matter of—well, this is March—2 months, if that. How much consultation was there between OMB and the various departments involved here, personnel involved here? How much consultation was there in the formulation of this budget?

Dr. GOLDBERG. Several months ago, Senator, staff of OMB came to——

Senator WEICKER. I'm not talking about the Carter budget. I'm talking about the proposed Reagan budget.

Dr. GOLDBERG. What I can tell is what happened insofar as my presence was concerned. Several months ago staff of OMB came to the Education Department.

Senator WEICKER. Which staff are we talking about? We're talking about the Reagan staff? Which staff are we talking about?

Dr. GOLDBERG. The staff that we have worked with over the years in charge of specific programs.

Senator WEICKER. I now want to know, in other words, in the formulation of the proposed budget—you have the Carter budget. This is what you call the Carter budget. But in that which is being proposed, how much consultation has there been between the present OMB and all of you people here?

Dr. GOLDBERG. None, insofar as I'm concerned.

Ms. CHRISTENSEN. Mr. Chairman, I would add that Secretary Bell and his immediate staff have worked very closely with Mr. Stockman in developing the initial concept of the block-grant proposal.

Senator WEICKER. Since he was named Secretary?

Ms. CHRISTENSEN. Yes.

Senator WEICKER. And that's been how long?

Ms. CHRISTENSEN. About 6 weeks, I think.

Senator WEICKER. You see, the problem I find here is that we're dealing with a very, very complex problem. I'm learning and I'm the parent of a retarded child and I'll tell you I don't know half of what I should know. I just wonder how you can come roaring in and appear in a period of 6 weeks and get into these programs that have been very, very carefully evolved over a period of years with an enormous amount of expertise of those who have spent their lives at it in terms of their education, et cetera, and then just come at a thing in a period of 6 weeks. That's why I'm wondering how much consultation there was. You're not dealing just with figures. These are human beings, very complex human beings, the most complex in our society.

Ms. CHRISTENSEN. I certainly understand your concern. The point I would make is that in view of the time constraints in preparing the new budget, the Secretary did the best he could in pulling together the existing staff that could help in developing a concept. He is now in the process of pulling together additional people within the staff. He will be going out to the program people that you are talking to here and developing the legislation and developing the details of the new budget. He is also going, as I mentioned earlier, to the education community to get their input. He wants to hear all of their concerns and he is very much into this and he realizes especially the problems with relation to the handicapped act.

REVISED BUDGET SUBMISSION TO CONGRESS

Senator WEICKER. Let me just say this, because quite frankly—two things. No. 1, I think really I would not have chosen to have this hearing right now if it were up to me. It's up to the law, which I think is unfortunate, at least as it applies to every fourth year of our political process where we're scrambling around here. They don't have 2 months time. They have just a few days. As I understand it, we're going to have the proposals on the new budget around March 10 or somewhere thereabouts.

Ms. CHRISTENSEN. The current plan is that it will be sent on March 10.

Senator WEICKER. I just want you all to carry back the message that both in the hearings which I will conduct in the sense of being chairman of the Subcommittee on the Handicapped plus whatever participation I put in on the appropriations process, the excuse of time constraints is not going to be a valid one; that that's a very difficult thing to explain to a disadvantaged person, all of a sudden to be set back in terms of what their expectations are or what their hope is, and there had better be some very precise reason both as to the funding aspects and as to the conceptual aspects of what it is that's being proposed, and it will not be a reason either by my authorization committee or my appropriations committee that we all have to tighten our belts across the board or that this is what OMB told us to do, because Mr. Stockman may be brilliant financially but I dont think he knows the effects of his program cuts when it comes to retarded children, and that's what we're dealing with here.

So I just want to make it clear I think we are both at a disadvantage in this session—you are and I am—but let's understand what the criteria is going to be for action. That's the only thing I'm saying, and it better be well-grounded.

Ms. CHRISTENSEN. I will carry your message personally to Secretary Bell.

NATIONAL INSTITUTE OF HANDICAPPED CENTERS

Senator WEICKER. Most of the funding for the National Institute of Handicapped Research is earmarked for the research and training centers and the rehabilitation engineering research centers. Has the long-term investment in these centers been evaluated to determine whether such investment should continue?

Dr. GOLDBERG. Dr. Scadden will address the question.

Dr. SCADDEN. Senator, we have had a number of years now, approximately 8 or 9 years, of experience with the extensive center program and it has provided a lot of evidence that it is cost effective. The center concept is based on the premise that we are able to bring together into one location—usually a medical center in the university with contacts with other parts of the university—a team of scientists and rehabilitation professionals who can look at a problem of handicapped individuals in depth, more so than a single one-shot research and demonstration project. We have found that these centers also, because of their unique expertise, attract to them additional funds from the private sector and other parts of the public sector which actually increases the magnitude of the in-depth look.

There are some limitations, some problems that develop. One has to do with the flexibility when new priorities are identified as to how quickly we can address these priorities. We have found that in this particular year that a larger percentage of our money is committed over a long term. We need to look very carefully at the existing programs to determine if the projects that are existing within those centers meet the newest criteria for high priority. We are doing that at this time.

NATIONAL INSTITUTE AND BLOCK GRANTS

Senator WEICKER. Does the administration intend to keep the Institute as a separate entity or fold it in the block grant system?

Dr. SCADDEN. I personally have not seen any indication as to what the administration plans are, so I'm sorry, I cannot answer that.

NAVAHO VOCATIONAL REHABILITATION PROGRAM

Senator WEICKER. On the fiscal year 1981 continuing resolution, the Senate earmarked $650,000 of the Navaho vocational rehabilitation program but withdrew this amendment in conference with the House. The conference report language stated special earmarking is not necessary since $650,000 for the Navahos was already clearly provided through general authority of the continuing resolution.

In view of the clear and specific legislative history indicating the Congress intended $650,000 for the Navajo rehabilitation program, why has this money not yet been disbursed?

Dr. GOLDBERG. Senator, as the new Acting Assistant Secretary of this program, this matter has come to my attention just within the last few days. I called a staff meeting yesterday of those most knowledgeable about the program and I have had a call from a representative of the Navaho group who is coming to see me this afternoon.

LEGAL OPINIONS

I learned that the RSA staff sought guidance on that legislative history including the citation you just read from the General Counsel's office which responded citing the Comptroller General's 1976 ruling on appropriations acts. In the General Counsel's opinion, we are required to open the competition for funds to others similarly situated.

The Comptroller General's ruling indicated that where there are ambiguities in the appropriation history, funds cannot be earmarked specifically for one potential client.

On the other hand, in talking with staff I realized that the rehabilitation needs of native Americans in Arizona, Utah, and New Mexico are indeed acute and I pledge to this committee that I will work with the vocational rehabilitation directors in those three States to try to discover what can be garnered from the basic grants of the rehabilitation service agencies to provide some kind of service in that territory.

The different cultural aspects of what is considered a successful rehabilitation process becomes very clear when information reaches us that on the reservation a handicapped person's ability to take his or her turn at tending sheep is considered successful rehabilitation, whereas others would say gainful employment in a competitive industry is their definition of successful rehabilitation. We need some reorientation of thinking of those who have generally said, "Well, we have always done it this way, we can't seem to modify it."

Regarding the Navaho, in 1979, the allocation of State funds under the old innovation and expansion program made possible that service to the Navaho Tribal Council that one year. In 1981, H.R. 7998 provided funds for the first time under section 130, which is directed specifically at rehabilitation services for the Indian population. The Navaho Council as well as other eligible tribes may compete for these funds.

I want to indicate once again that we have to find ways of serving those individuals and we will work at it and do everything we can to use the existing funds to provide that service, different as it may be from the traditional VR services that we're used to hearing about.

Senator WEICKER. I have other questions which will be submitted to you for the record and I would appreciate your responses when you submit the corrected transcript.

I have just been joined by my colleague, Senator Specter from Pennsylvania. Senator, do you have any questions?

OMB CONSULTATION ON BUDGET CUTS

Senator SPECTER. Thank you, Mr. Chairman. I regret that I could not be here earlier and this may be a matter which has already been inquired into, but my question is, What consultation have you had, if any, with a representative from the Office of Management and Budget with respect to the proposed reductions? Has OMB gotten your inputs, to state it differently, for ideas on budget cuts?

Senator WEICKER. Senator—and I would appreciate it if you would try to synopsize to the Senator—but we are both thinking along the same lines. This was asked and a response was given, but I wish you also would respond to the question.

Dr. GOLDBERG. Senator, Ms. Christensen, the Acting Assistant Secretary for Planning and Budget, did respond to Senator Weicker's similar question. Let me indicate that the staff, working at the program level, has looked to Secretary Bell and the consultations he has had with outside groups and with OMB to obtain the best possible kinds of support for the programs for handicapped individuals. Ms. Christensen has added the specifics of Dr. Bell's consultation.

Senator SPECTER. My question to you is, Did OMB come to you and ask for your inputs before OMB recommended any cuts?

Dr. GOLDBERG. To those of us at the lower program levels, I responded earlier; no. To those working immediately with Dr. Bell, there are broader answers.

Ms. CHRISTENSEN. I would say the broad answer is that the Secretary and Mr. Stockman worked cooperatively in developing the concept of the block grant. The details within that concept then were worked out jointly by Dr. Bell's immediate staff and the immediate staff of Dave

Stockman. Because of the time constraints we were unable to involve at that point—and this was done within 1 or 2 weeks—we were unable to involve all of the program people that we would have wanted to.

In the meantime, we are starting to do that now as we are beginning to develop the specifications for the block grants as well as the details for the budget justifications which will be coming to you in the very near future.

Dr. Bell has also met at length with the outside interest groups in education, both from the public education elementary and secondary education sector as well as the higher education sector because there were some major issues there that were released at the same time. During those meetings he invited their input, their recommendations, and their suggestions.

We are now making plans for additional meetings involving all of them as well as the program staff within the Department. As I indicated earlier, Dr. Bell is extremely aware of the problems and especially those with relation to the education of handicapped children.

Senator SPECTER. Aside, though, from Dr. Bell's view from the top, you're saying that people in the echelons down the line are being consulted for their suggestions as to where budget cuts might be made in the least painful way?

Ms. CHRISTENSEN. They are beginning to be consulted now in how the budget cuts should be applied. We were given overall ceilings within the Department and we worked those out. We appealed and went back and worked that out and negotiated with OMB, as we do every year. As far as the individual budget cuts within the individual programs we have gone back to the program and gotten their input.

CATEGORICAL VERSUS BLOCK GRANTS

Senator SPECTER. In a shift from categorical grant approach to a block-grant approach, do you have any concerns that categories heretofore considered very important by your Department will be or may be ignored by the States in their administration of the block-grant program?

Ms. CHRISTENSEN. Well, I guess in answering that you have to remember the premise of the block grant is that the States and localities now have been assisted for a period of 15 years in increasing their management and programmatic capabilities, and that the premise of the block grant is that they should be able to make these kinds of decisions.

We have held out at the Federal level a certain number of items which we felt were of sufficient concern and items that the States particularly might not pick up. For instance, if there were only two or three centers across the Nation and they were serving a specific population, for cost efficiency purposes, if nothing else, we would maintain them at the Federal level. An example is the deaf-blind centers. We kept those at the Federal level. But in other cases the rationale is that you move the programs out to the States and the localities and they would have the discretion to make decisions.

I mentioned earlier that part of the rationale for this is that the decrease in the money is to a large degree offset by the administrative costs which would be eliminated as well as the increased flexibility on the part of the States. We have estimated, for instance, Senator, that a very rough estimate of approximately 13 percent now is taken off the top at the State and local levels for administration of these programs that go into the block grants. I would point out that the Public Law 94–142 has only a 5-percent administrative cost, but some of the others are higher. It comes out totally to about 13 percent.

STATE CONTINUATION OF FEDERAL PROGRAMS

Senator SPECTER. Your point with respect to discretion to the States is that you have confidence that the States will not ignore areas that have heretofore been considered important by the Federal Government and put into categories that had been funded?

Ms. CHRISTENSEN. That is certainly one of the premises, probably premise No. 1, on which the block grant is based.

Senator SPECTER. I understand the premise, but what I'm looking for is whether you agree or have confidence in States that that will be carried out. I hear a fair amount of concern from people in Pennsylvania whom I've talked to that the Federal Government has been the agency to really see to it that programs are carried out, for the blind to be specific, because the State and local government has not undertaken very specific responsibility. Now we are moving away to block grants. One of the areas of concern that I have is that those who know varieties of fields have confidence that the States will be respecting judgments which have been made on these specific categories. Every time there's been a categorical grant somebody has decided that was something that should have been done that hadn't been, and the concern I have is—and I'm asking for your professional judgment—are you confident that the States will be doing an appropriate job?

FEDERAL GUIDELINES FOR BLOCK GRANTS

Ms. CHRISTENSEN. I think a lot of people share your concern. I think that this is one of the things that is being taken up now as the specifications for the legislation are being developed and as we get the input from the outside groups.

Senator SPECTER. When you talk about specifications for the legislation, are you suggesting——

Ms. CHRISTENSEN. I'm talking about possible set-asides, minimums, matching requirements, accountability.

Senator SPECTER. So you're talking about some Federal guidelines as to the block grants?

Ms. CHRISTENSEN. Yes; exactly how they will work, which is what is so vague now and why it makes it rather difficult to discuss it in any kind of intelligent detail.

PROPOSED 20-PERCENT BUDGET CUT

Senator SPECTER. Mr. Stockman had spoken to some of us about the overall concept in cutting back 20 percent that there would be that much in savings on the regulatory process. You just figured an amount a moment ago of about 13 percent.

Ms. CHRISTENSEN. Thirteen percent is the administrative overhead. If you talk about the duplication and the increased flexibility, you might even be able to come up with something more than that. The rationale is that the new administration is asking all segments of the economy to absorb some of it. All I'm saying is that on the face of it, it's not a complete 20-percent cut in these areas.

DEPARTMENT OF EDUCATION BUDGET CUT

Senator SPECTER. What has the cut been in your agency here? What is the overall cut?

Ms. CHRISTENSEN. We don't have the overall cuts. We do not have the overall figures worked out yet. We are still working those out with OMB.

Senator SPECTER. When do you expect to have them?

Ms. CHRISTENSEN. That will be sent to the President by the 10th, but literally, we still don't have it ourselves. We are still working on the details with OMB.

Senator SPECTER. Is there a sufficient time to do this in a realistic way?

PRINTING OF REVISED BUDGET

Ms. CHRISTENSEN. Yes; because we will be going to the printers in I guess 2 or 3 days, so within 2 or 3 days probably we will have to lock up printwise.

Senator SPECTER. That takes care of the printer. Now how about me?

Ms. CHRISTENSEN. That's our guiding light. We won't have anything before then.

Senator SPECTER. Senator Weicker would accept it, as would I, on yellow pads in writing.

Senator WEICKER. Senator, I have a concern——

FUTURE BUDGET HEARINGS

Ms. CHRISTENSEN. We're still making decisions. In fact, I just left a meeting with the Secretary this morning in which another big decision in another area was being made. Literally, when I sit here and say we do not have a total, we don't have a total for education that we can release.

Senator WEICKER. Senator, I think you have eloquently articulated some of your apprehensions and the same apprehensions that I have, and Ms. Christensen has indicated that she fully understands the rather probing questions that are going to be forthcoming when the final presentation is made and I think out of fairness to her, you are seeing me at my most gracious now and that ought to scare you.

Senator SPECTER. Mr. Chairman, are you suggesting that when she comes back, when we have the figures and have the meaningful hearing that there will be a different attitude on the part of the chairman of this subcommittee?

Senator WEICKER. Well, I think that——

Ms. CHRISTENSEN. I can't wait. [Laughter.]

Senator SPECTER. One of the concerns I have had as I've sat through these hearings is whether they are for real, considering they don't have the figures.

Senator WEICKER. They're not. They can't deal—this means nothing over here [indicating], and clearly nobody can—I'm not saying anybody is being evasive about their response, but nobody can in fact give a direct response because the policies haven't been formulated yet and neither have the figures. So really the problem is the system, a system which works fine 3 years but then every election—which allows for 2 months, if you will, of examination of the budget and the policies being compacted into almost 1 week, and that aspect of the law needs to be changed. It has nothing to do with you people, but it's obviously an unsatisfactory situation for you and an unsatisfactory one for us.

QUESTIONS AND RESPONSES

I have some questions which I submit for responses for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COMPLIANCE

Question: It has been charged that many school districts receive Handicapped State Grant funding but fail to comply with requirements of the Education for All Handicapped Children Act. By what means does the Department presently monitor compliance?

Answer: There are several steps involved in compliance monitoring under the Education for All Handicapped Children Act. First, State plans are carefully reviewed to insure that state policies and procedures meet federal requirements before funds are released. Second, complaints which are filed under the Act are reviewed and resolved in coordination with the Office for Civil Rights. Third, data from state performance reports, the National Center for Education Statistics, OCR, and other sources is collected and analyzed to spot anomalies that might indicate a compliance problem. Finally the on-site compliance reviews are performed in each of the states. Each state is scheduled to be visited every other year.

Question: What does the Department do when it discovers a school district that is not in compliance with the Law?

Answer: Under the Act, the State Education Agency has the primary responsibility to ensure that the local school districts under its jurisdiction comply with the Act's requirements. When the Office of Special Education discovers that a school district is out of compliance -- or against whom a compliant has been filed -- it is required to investigate and take whatever action is necessary to remedy the situation. We monitor the State's efforts to ensure that the problem is resolved and, if necessary, provide technical assistance to help the State Education Agency reach closure. This action is coordinated with Office for Civil Rights complaint investigation procedures. If a State Education Agency does not bring the school district into compliance, action would then be initiated by the Department to cut off the State's funds under the Act. To date, it has not been necessary to initiate such action.

Question: Has the Department ever referred any cases of non-compliance to the Justice Department?

Answer: To date it has not been necessary to refer cases involving compliance with the Act to the Justice Department.

COORDINATION WITH OCR

Question: Within the Department of Education, both the Office of Special Education and the Office for Civil Rights have responsibilities regarding the handicapped. What coordination is there between these two offices? Please be specific.

Answer: The Office of Special Education and the Office of Civil Rights are currently operating under a memorandum of understanding between the two agencies. This agreement calls for the coordination of policy statments which involve both agencies, data sharing related to special education -- including child count figures, educational placements of minority/ethnic handicapped children, the accessibility of education programs to the handicapped, etc. -- the coordination of complaint investigation and resolution procedures, and the review of state plans. In addition, OSE and OCR are planning to initiate joint compliance visits and technical assistance activities.

Question: It has been alleged that the Office of Special Education and OCR have different views of what constitutes discrimination against the handicapped. How do you respond to this allegation?

Answer: We do not feel there is any substantial difference between the views of the Office of Special Education and the Office for Civil Rights regarding discrimination against the handicapped. However, we realized that there was some confusion in the field about the interpretation of the Act in relation to Section 504 of the Rehabilitation Act of 1973. For this reason the memorandum of understanding between OSE and OCR was developed and implemented in October, 1980. Under this memorandum OSE and OCR are coordinating all policy statements and compliance activities that affect the two agencies.

HANDICAPPED MINORITY GROUPS

Question: Studies have shown that individuals from minority groups have been demonstrated to be more likely to suffer from various physical and mental illnesses than non-minorities, and therefore they more often require rehabilitation training in order to facilitate their full participation in the economy of our nation. Further, these same individuals often suffer from "triple threats": they are both handicapped and members of minority groups, and they are also very likely to be poor. Please describe the activities of the Department that give particular attention to the unique background and pervasive socioeconomic factors involved in providing services for minority groups who are also handicapped.

Answer: We have acted in numerous ways to address the needs of minority handicapped children. The regulations regarding protection in evaluation procedures specifically require that the procedures used in evaluating handicapping conditions "must be selected and administered so as not to be racially or culturally discriminatory." We have sponsored programs like Project Access, a program designed to help target more services to Hispanic handicapped children. We have funded studies such as "The Young Black Exceptional Child: Providing Programs and Services." We have increased the level of funding going to traditionally black institutions of higher education, and contracted with the National Alliance of Black School Educators to develop a curriculum especially addressing the requirements of the Act. Several projects funded by our training program have formed a consortium to develop training procedures for assessment of tools used in evaluating minority handicapped children. In addition, we are supporting more than a dozen activities directed toward the Native American population, including training speech pathologists to aid the Native American population and direct funding support for the Navajo Nation Department of Education and Community College. Finally, we have funded "Project Impact," which is adapting an assessment model for use with minority children.

Question: What percentage of the NIHR budget is presently used for minority oriented or focused projects?

Answer: NIHR recognizes the compounded problems of handicapped persons who come from minority groups. This topic appears as a high priority concern within the Long-Range Plan for Handicapped Research developed by the Institute during this past year. However, at this time, no funding is directed exclusively towards problems of handicapped persons of minority groups, although it must be realized that all research related to the generic problems of the disabled population cuts across all sub-population groups.

GAO REPORT

Under the Education for the Handicapped Program, all children determined to be handicapped are supposed to be provided with an Individualized Education Plan. GAO reports that many school districts do not have plans for all students, or that even if they do, the plans are drawn without proper consultation with parents, as the law requires. What is the Department's response to GAO's criticism?

Answer: We have recognized since the inception of the Act that the implementation of the Individualized Education Plan (IEP) requirement would be a major task. The Office of Special Education has mounted a significant and continuous technical assistance effort to help the states in this implementation effort. In 1976, before the implementation of the IEP requirement, OSE funded Project IEP to anticipate problems and concerns that might arise as IEPs were developed. From 1977 to 1980 all technical assistance rendered to the States by the 13 Regional Resource Centers (RRC) focused on overcoming these barriers to implementation. The current workscope of the RRCs continues to focus on the implementation of the IEP provisions. In addition, individual IEPs are examined during monitoring visits by us and also by the State Education Agencies (SEAs).

We have found, through monitoring visits and special studies, that some State and local education agencies have added elements to the IEP which went beyond Federal requirements. Contract workshops and followup technical assistance have been provided to clarify Federal requirements. We have also developed and published a comprehensive policy clarification paper on IEPs in the Federal Register on January 19, 1981.

Question: What steps does the Department take to make sure schools correctly prepare Individual Plans for each handicapped student?

Answer: A number of procedures are in place to help schools comply with the IEP provision. States are required to examine IEP implementation as a part of their monitoring of all local school districts. Also, when conducting on-site compliance reviews, we examine IEPs in selected sites to insure that they are properly developed. If problems are found, corrective actions are required. In addition to these compliance activities, we have provided assistance in implementing the IEP requirement in the form of comprehensive policy clarification paper on IEPs published in the Federal Register on January 19, 1981.

Question: What action does the Department take to deal with school districts which repeatedly fail to meet the requirements of the law?

Answer: When a school district is found to be out of compliance with the Act, the Department requires the State Education Agency (SEA) to investigate and resolve the issue through corrective actions, technical assistance, and, if necessary, sanctions. If the SEA cannot correct the issue, or if the issue involves inconsistent State policies, the Department requires the State to take corrective actions and provides technical assistance to help correct the problem. If a State still fails to address the issue adequately, the Department would initiate action to cut off the State's funds under the Act. However, cooperation on this score has been generally very good, and OSE has not yet been required to initiate sanctions.

MULTI-YEAR STATE PLANS

Question: In fiscal year 1980, States for the first time had the right to submit multi-year 3 year plans. How many States submitted multi-year plans?

Answer: Every State and territory participating under the Act has submitted a final or draft 3 year plan except New Mexico.

Question: How many had these approved?

Answer: As of March 6, 1981, forty-six of the fifty States had submitted final fiscal year 1981-83 plans, and forty-five of those plans had been approved. Three States had not submitted final plans for approval and one State is not participating in the program. Of the outlying areas, four have submitted final plans, three of which have been approved.

STATE PAYMENTS

Question: All the States are paying for education of their handicapped student population. How much do State and local school agencies budget for special education? Provide an aggregate dollar figure, and a breakdown by State.

Answer: The Department does not require State and local education agencies to report the specific data needed to respond to this question. However, a report issued in 1979 by the National School Boards Association-- NSBA --indicates that the per pupil costs for educating handicapped children was $2,954, compared with $1,504 for non-handicapped children in the districts it sampled. This report found that special education costs are rising at a rate of about 14 percent per year.

Question: What percentage of State and local agencies' total elementary and secondary budget is spent on special education? Provide an aggregate total, and a breakdown by State.

Answer: The Department of Education does not require State and local education agencies to report the specific data needed to respond to this question. However, the NSBA report mentioned above indicates that special education budgets represented 11.5 percent of the institutional budget of school districts in the 1978-79 school year. Furthermore, local budgets for special education are rising twice as rapidly as institutional or operating budgets.

Question: Have these totals changed markedly in the last few years? If so, by how much?

Answer: According to the NSBA report mentioned above, the special education budget for school districts increased from 10.1 percent of the districts' instructional budgets in school year 1976-1977 to 11.5 percent in 1978-79.

STATE PLANS

Question: States have been required to submit spending plans in order to receive Handicapped State Grant funds. These plans are supposed to document how States fulfill the requirements of the Education for All Handicapped Children Act. How does the Department review these State plans?

Answer: The procedure for the review of State plans is as follows: First, the States submit a draft plan to the Office of Special Education (OSE) for review. The OSE then compares the provision of the plan with the requirements of the Act on a point-by-point basis, using a checklist developed directly from the regulations. The States are given updated versions of this checklist annually to assist them in drawing up their plan. The OSE provides the States with written notice of the discrepancies, if any, between the plan and the requirements. The OSE then works with each State to resolve these discrepancies. Each State revises its plan and submits it in final form for approval. The final plan is reviewed in both OSE and OCR, and, if approved funds are released to the State. If the plan is not approved, the OSE continues to require changes and provide technical assistance until the plan is in approvable form.

Question: What technical assistance does the Department give States in preparing these plans?

Answer: The OSE staff works closely with the States in assisting them in putting their plans into final form. Between the time a State submits its first draft plan until the time its plan is approved, OSE staff members provide constant feedback on the acceptability of the policies and procedures in those plans, both in writing and over the telephone. During the first few years of the Act, OSE held annual workshops to assist States in the development of their plans. However, the plan approval process has become fairly routine and the need for such workshops has diminished.

Question: How does the Department monitor States' compliance with their plans?

Answer: The Office of Special Education monitors State compliance with the plans by several means. First, OSE, in conjunction with the Office for Civil Rights, requires State Education Agencies to investigate and resolve complaints from individuals who allege violations of the Act, and tracks the progress of the complaint to its resolution.

Second, OSE collects and analyzes a wide variety of data relevant to States' compliance with the Act. Data is collected from child counts, performance reports, OCR, and the National Center for Education Statistics and other sources. This data is then used to identify potential compliance issues where OSE should take a closer look at State policies and procedures.

Finally, the OSE schedules biennial compliance visits to each State to review the implementation of policies and procedures in the State plans. During the visits the OSE staff conducts interviews with officials of SEAs, LEAs and State-operated programs, parents of handicapped children, and representatives of advocacy organizations. The OSE staff also reviews local policies and procedures and children's records to insure that State policies are being implemented at the local level. At the end of each visit a report is issued and the SEA is required to take action to correct any compliance issues within a specified timeline.

YOUNG AND OLD HANDICAPPED

Question: Beginning in 1980, States were supposed to provide special education services to all eligible 3-5 year olds and 18-21 year olds. How many 3-5 and 18-21 year old handicapped children are eligible for services?

Answer: We have estimated that there would be approximately 540,000 handicapped children between the ages of 3 and 5, a prevalence estimate of six percent and approximately 154,000 handicapped youth between the ages of 18 and 21, a prevailing rate of 4.5 percent.

Question: How many are actually being served?

Answer: In school year 1979-80, 231,815 handicapped children ages 3 through 5 were counted, as well as 124,528 handicapped youth ages 18 through 21.

Question: Which are the States which do not serve these age groups?

Each State sets its own mandatory age range. Some States serve the full 3 through 21 age range, others mandate a portion, such as 5 through 20. In many cases, if the mandated range is less than the full 3 through 21, services are permissive for the remainder. A list of the State mandatory ages for handicapped children follows.

Ages of Children Served

STATE	AGES	EXCEPTIONS/CLARIFICATIONS*
Alabama	6 to 21	Permissive services for deaf and blind from 3 to 21. Education for 12 consecutive years starting at age 6. If school district offers Kindergarten, then services required at 5.
Alaska	3 through 19	
Arizona	Between 6 and 21	if Kindergarten is maintained, then 5. 3-5 permissive.
Arkansas	6 through 21	If Kindergarten program, then 5-21.
California	4 years/9 months through 18	3 to 4.9 intensive services; 19 through 21 if not graduated or completed course of study. 0-3 permissive under Master Plan.
Colorado	Between 5 and 21	Or until graduation; 3-5 permissive.
Connecticut	4 to 18	May serve only until graduation. Hearing impaired beginning at age 3. Starting 9/80 serve until age 21 unless child graduates.
Delaware	Between 4 and 21	Allows services 0 to 21 for deaf/blind and hearing impaired.
District of Columbia	Between 3 and 18; 3-21 by fall 1979	
Florida	5 through 17	Beginning at Kindergarten and for 13 consecutive years. Permitted with State funds from age 3.
Georgia	5 through 18	0 through 4 and 19 through 21, permissive.
Hawaii	6 to 20	3 to 5 permissive.
Idaho	5 through 18	5 through 21 by 9/1/80; 0 through 4 at local discretion.
Illinois	3 through 18	3 through 21; 9/1/80.
Indiana	6 to 18	
Iowa	Birth through 20	
Kansas	5 to 21	Through school year during which reach 21 or until completed an appropriate curriculum, whichever occurs first. 0-5 permissive.
Kentucky	5 through 17	Permitted to 21.
Louisiana	3 through 21	
Maine	5 to 20	
Maryland	3 to 21	Birth to 21 beginning 9/80.
Massachusetts	3 through 21	
Michigan	0 to 26	Who have not graduated from high school.
Minnesota	4 to 21	Or completion of secondary program.
Mississippi	6 through 18	6 through 20 by 9/1/80. No requirement and not usual to provide classes to 3-5.
Missouri	5 through 20	Allows districts to provide programs to 3 through 4.
Montana	6 through 18	3 through 21 by 9/80. Provides for services to 0-2 after 9/1/80 under certain circumstances; 3-5 and 19-21 currently under same circumstances.
Nebraska	0 to 21	From date of diagnosis or notification of district; voluntary as specified by parent — below 5.
Nevada	Between 6 and 18	Between 3 and 21 by 9/1/80. (Under 18) attendance excused when completed 12 grades. 3-5 is permissive.
New Hampshire	Between 3 and 21	
New Jersey	5 to 21	Permissive below 5 and above 20.
New Mexico		
New York	Between 5 and 21	
North Carolina	5 through 17	0 through 4 and 18 through 21 permissive.

Ages of Children Served (cont.)

STATE	AGES	EXCEPTIONS/CLARIFICATIONS*
North Dakota	6 to 21	0 to 6 permissive.
Ohio	5-21**	Do not actually say 5-21 is mandate.
Oklahoma	4 through 17	Except no set minimum age for visually impaired/hearing impaired. 3 through 17 for severely multi-handicapped, severely handicapped, minimum of 12 years of schooling.
Oregon	6 through 20	3-5 and 21 at local options.
Pennsylvania	6-21**	Permissive below 6. Virtually all districts provide Kindergarten for 5 year olds, therefore, must provide for handicapped at 5.
Rhode Island	3-18**	3-21 by 9/1/80 (until complete high school or reach age 21, whichever comes first).
South Carolina	Between 5 and 21	Hearing impaired 4 to 21.
South Dakota	0 through 21	
Tennessee	4 through 21	Hearing impaired and deaf 3 through 21.
Texas	Between 3 and 21	
Utah	5 through 21	
Vermont	6 to 21	Or completion of high school, 3-5 as funds are available except all districts providing public Kindergarten will serve 5 year olds.
Virginia	Between 2 and 21	
Washington	5 to 21	Pre-school permissive below 5 except if offer pre-school as a part of regular program. Every handicapped of same age shall be provided same services. Eligibility ends when goals of IEP reached, at graduation or at age 21. 3 and above at local discretion. Below 3 if multiple, gross motor, sensory, moderate or severe mental retardation.
West Virginia	Between 5 and 23	3 and 4 permissive.
Wisconsin	3 to 21	
Wyoming	0 through 21	

1/ NOTE: This information was taken from Annual Program Plans submitted in accordance with P.L. 94-142. New Mexico has elected not to participate in this grant program during the current school year and, therefore, has submitted no plan.

*Many States provide for permissive services at ages below 6 and above 17. For some States this may mean that State funds can be used while, for other States, this means that services are not prohibited for these children.

**These States did not provide information in their plans as to whether the age range was to, or through, the upper age figure.

PRESCHOOL INCENTIVE GRANTS

Question: Are the services provided by the Preschool Incentive Grants different from those provided by regular State grants? In which ways?

Answer: State and local agencies may use Preschool Incentive Grant funds for a wide range of activities which serve to improve and expand early intervention programs. Many of the services are similar in nature to those provided by the regular State grants. The important difference is that Preschool Incentive funds must focus on services to children aged 3 to 5. Since the mandate of P.L. 94-142 does not extent below age 5, most states target the regular State grant funds on the school-age population. The purpose of the Incentive Grants was to assure that a specified amount of Federal funds would be targeted on services for preschool children who, heretofore, have been significantly underserviced.

Question: How many preschool handicapped children have been identified and have started to receive treatment since the inception of the preschool incentive grant program?

Answer: There are currently about 232,000 preschool-aged handicapped children receiving educational services. This is an increase of about 20 percent since the initiation of the preschool incentive grant program when the number was about 196,000.

DEAF-BLIND CENTERS

Question: What is done to make special services available to deaf-blind children who do not live near a center?

Answer: The Deaf-Blind Centers work closely under subcontract agreements with about 300 service providers across the nation to insure that 6,100 deaf-blind children receive appropriate educational services and other related services.

The Centers work with the service providers to develop services and programs as close to the child's home as possible. The intent of this program is to develop local and state resources to provide appropriate programming for these children in ongoing operational programs in schools for the blind, the deaf, the retarded, multi-handicapped and private and public day school programs.

Question: What kinds of jobs can deaf-blind children be trained to fill? Provide examples.

Answer: Deaf-Blind youths and adults, given the opportunity to learn and to be trained in facilities and programs to meet their unique needs, have the potential to perform jobs commensurate with their capabilities.

The potential in job training opportunities and the capacity for independent living for deaf-blind youths is directly related to the severity of the combined visual and hearing defects they might have, and is compounded by the addition of other physical or mental handicaps.

Depending on the severity of these conditions, deaf-blind children may be able to work in a variety of settings ranging from competitive or semi-sheltered workshops, to fully sheltered workshop settings.

For example, one of the Centers has developed a training program in cooperation with the McDonald's Chain to train deaf-blind youngsters as french fry cooks, frying hamburgers, salad bar, and maintenance work. In sheltered workshops deaf-blind persons are working as machine operators, assembling and packaging materials, sewing, broom winding and mop assembly, food services, recycling of aluminum cans and newspapers; and a work adjustment aide in a semi-sheltered workshop.

Another Center has developed a model for the pre-vocational and vocational training of deaf-blind youngsters who are severely handicapped.

The training program is based upon the use of model workers, in this case senior citizens, after whom the deaf-blind clients could model their own behavior. The senior citizens "worked" side-by-side with a deaf-blind youngster performing specific work oriented tasks which assisted the youngster in developing his own skills and in modifying his own behavior to make him more acceptable in a work setting. In this pilot project the deaf-blind youngsters were taught the skills for the assembly of a drapery pulley which involves very complicated assembly tasks.

Question: Prior to 1969, how many Deaf-Blind Centers were there? How were these supported?

Answer: Prior to 1969 there were no Deaf-Blind Centers. In fact, prior to 1969, there were only 7 specialized programs, or Departments for Deaf-Blind Children, located in the United States. These programs, which were located in schools, provided educational services for only 110 deaf-blind children in the 1967-68 school year, and were supported by State, local, or private funding sources, or a combination thereof.

Question: At present, how much do States provide to support the activities of these centers? Provide specific dollar totals.

Answer: Data submitted by each State to the 16 Deaf-Blind Centers indicates the states are providing $34,742,477 in funding for educational programming for 6,117 deaf-blind children in school year 1980-81.

Question: Under the Administration's Block Grant Proposal, what would be the fate of these centers?

Answer: The Deaf-Blind Center program has been excluded from the Administration's block grant proposal and would continue to be administered by the Department.

SPECIAL POPULATIONS-OVERVIEW

Question: When considered as a group, the various special population, media services, and personnel development programs authorized under Part C through F of the Education of the Handicapped

Act have had a relatively constant appropriation level over the past five years.

In what ways has this relatively constant appropriation level affected the operation of these programs?

Answer: In our research program the principal effect of level funding has been a reduction in the scope of individual projects, fewer large scale programmatic efforts, and a significant decrease in major curriculum research and development efforts.

The effect in the demonstration programs has been a decrease in the number of new projects and a reduction in the developmental activities of continuation projects. In addition, expansion and replication projects have been generally reduced.

Question: Has the fact that there has been little new funding for these programs in recent years resulted in a discernibly more efficient use of the funds that are available?

Answer: It is difficult to pinpoint efficiencies in particular projects, but the total number of projects supported has remained relatively constant despite rapid inflation. This suggests some greater efficiency though it may be primarily reduction in scope of individual projects. Several efficiencies are discernible. In research projects, for example, there have been substantial reductions in travel and consultant costs with no apparent reduction in program effectiveness. Also, projects have come under even closer scrutiny to assure that we are paying only research costs - not associated costs of the programs about which the research is being conducted.

Likewise, demonstration projects have reduced portions of the projects--travel, consultants, materials, dissemination--in order to maintain services to handicapped children. Although these savings may have resulted in more cost efficiency of primary project operations, projects have had to reduce secondary but yet critical operations such as dissemination and training.

SPECIAL SERVICES

A part of the appropriation for Education for the Handicapped pays for services such as: specialized centers for deaf-blind children, seed money for innovation and development of new techniques for teaching the handicapped, and various projects to provide special educational media and resources for the handicapped.

Question: Who will pay for the services under a consolidated block grant?

Answer: The consolidated block grant proposal does not include centers for the Deaf-Blind, Innovation and Development research, and Media Services and Captioned Films for the handicapped. These programs will continue to be adminstered by the Department.

Question: What plans does the administration have if no State is willing to pay for these services?

Answer: As stated in the previous answer, these services are not scheduled to be included in the block grant program, and will continue to be administered by the Department.

SEVERELY HANDICAPPED PROJECTS

Question: Whom does the program serve? How many are served?

Answer: This program addresses the needs of handicapped children and youth who because of the intensity of their physical, mental, or emotional problems, or a combination of such problems, need educational, social, psychological, and/or medical services beyond those which are traditionally offered by regular and special educational programs. The objective of these special services is to help children maximize their full potential for useful and meaningful participation in society and [illegible] self-fulfillment. The term "severely handicapped" also includes children who are seriously emotionally disturbed--including children who are schizophrenic or autistic--profoundly and severely mentally retarded, and those with two or more serious handicapping conditions, such as the mentally retarded-blind, and the cerebral palsied-deaf.

In addition to serving children directly the program provides consultation and training services to their parents and inservice training to their teachers and relevant others.

Although the severely handicapped program is intended to be a demonstration program rather than one of direct service, more than 2,400 children participate in demonstration projects each year, thus benefitting directly in terms of educational services.

Question: In what ways is this program uniquely serving this client population?

Answer: This client population is being uniquely served in several ways through a number of special project efforts. These include:

-- Development, demonstration, and promotion of best practices in education and training for severely handicapped children and youth. Such practices have focused on significantly improving child/youth performance in social skills; receptive and expressive language; reading; writing; numerical concepts; daily living skills of eating and dressing; physical fitness and mobility; prevocational skills development; and employment retention skills and attitude.

-- Identification and development of information which addresses the needs and interests of this population, and its dissemination to relevant audiences.

-- Promotion of changes in educational service delivery systems within states, and within rural and urban centers of states, addressing unique needs of all the severely handicapped within the designated boundaries.

-- Identification, generation, and dissemination of materials advocating the rights, potential, and understanding of this population by the general public, possible employers, community recreation personnel, neighborhood age-peers, etc.

-- Inservice training of staff, other professional and paraprofessionals in effective educational practices with severely handicapped children and youth, and demonstrating that new skills acquired are retained and maintained over time.

Question: What success has this program had in providing new and specialized education to severely handicapped individuals? Provide specific examples.

Answer: This program has been successful in providing a broad range of instructional activities designed to meet the unique learning needs of the severely handicapped.

One project co-sponsored by the Madison, Wisconsin, school district and the University of Wisconsin, designed age-appropriate curricular content to prepare a wide range of severely handicapped students, ages 13 to 18, to function as independently as possible in post-school community, vocational, domestic, and recreational environments. Community vocational placements are being made for 100 percent of the 1980-81 program graduates; 78 severely handicapped students residing in a Wisconsin State institution have been successfully enrolled in integrated public school settings in the Madison Metropolitan School District, and an additional 25 institutionalized persons will be enrolled during this current semester.

Another project designed to teach vocational skills to severely handicapped youth in Eugene, Oregon, in a joint funding effort with a related project, reported that on August 30, 1980, 127 workers were included in eight implementation sites across six states. The average hourly wage during the nineteen months across all sites for time spent working was $1.93--median-$1.20--which is more than four times the national average of $.43 reported by the Department of Labor in 1979 for Work Activity Center (WAC) programs. Average monthly income for all workers during the same period was $53.67--median-$53.91--or over twice the national average of $24.00 for WAC participants.

A third project located in Salem, Oregon, has focused on deinstitutionalization of the severely handicapped from restrictive "custodial-type care facilities" to community living environments. Extending from March 1974 through August 1979, of 21 children who were placed in group homes from institutions, 20 were moved into community placements--seven of these returning to their natural homes; thirteen being placed in foster homes--with only one child being returned to an institution. Costs for group home training and community placement over a five year period for the 21 children were $707,610. Institutional costs for this number of children over a five year period would have cost $1,656,000. Thus the group home approach demonstrated in the model resulted in a five year savings of $948,390, or $45,161 for each child for the five year period.

A project in the public schools in Honolulu, Hawaii, is teaching leisure time activities to severely handicapped adolescents to facilitate their interaction with and acceptance by non-handicapped peers.

Another project, in San Francisco, is providing new testing instrumentation and procedures to assess the actual capacities of severely handicapped/deaf-blind children in non-segregated settings. It refers students to their original classroom following reformulation of Individual Educational Programs and a two-week intensive training program for students and teachers at the project site.

EARLY CHILDHOOD EDUCATION

Question: What relation is there betwen the Early Childhood Education Program and Preschool Incentive Grants?

Answer: The Preschool Incentive Grants make available limited additional funds--$80 per child in fiscal year 1980--for services to children from 3 through 5 years of age. The funding is aimed at providing direct services rather than for the development of models. The Early Childhood Education Program does provide for the development of models with the materials and procedures designed so others can use them without having to duplicate effort. A local service program, including those using Incentive Grant funds, often uses the identification, assessment, parent involvement, evaluation and staff training materials developed and tested over the three-year demonstration period through the Early Childhood Program. The Early Childhood Program also supports outreach projects, which assist other agencies on request to replicate their work during the demonstration phase. Outreach projects, which must have their services continued after the demonstration phase from non-program funds, have experience in assisting those who select their model to replicate. An example of this relation between one of the outreach projects funded under the Early Childhood Program and an Incentive Grant can be found in Kentucky. The Kentucky State Department of Education is using its entire Incentive Grant funding to enable the new kindergartens to include handicapped children and has asked the Chapel Hill-Carrboro Outreach Project to conduct the training and provide complete assistance in establishing the replications state-wide. The State Education agency is very enthusiastic about the relationship.

Question: What success have your demonstration projects had in improving both the identification and education of very young handicapped children? Provide examples.

Answer: In recent years, the primary emphasis of our Early Childhood program has been on very young handicapped children from birth to three. We have had considerable success in developing effective identification procedures and educational interventions. For example, the Ski-Hi Project in Utah designed an innovative way to identify infants at risk for hearing loss. Working with the Health Department the project staff identified infants who had hearing impairments and provided services to them earlier when, research shows, it is most effective. The projects developed an improved service delivery system for rural areas, training local residents to make home visits and work with parents of deaf infants and toddlers. This model has been replicated in many states.

Many pediatricans in the Seattle area refer Down's syndrome babies, at birth, to the Down's Syndrome Project at the University of Washington because infants in that project do not show the usual downward curve of development. Children's Hospital in Massachusetts is working with Wheelock College to develop new techniques to work with handicapped infants and their families, starting in the hospital. Screening and assessment materials developed by the Main Stream Project were adopted for state-wide use in screening.

Furthermore, nineteen of the projects have Education Department's Joint Dissemination Review Panel evidence of effective programming for children. One example is the Rutland Center Psychoeducational Model in Georgia, which reports that 90 percent of the emotionally disturbed children who have received services from the project do not need further special help for emotional disturbance after leaving the project. The Education for Multi-Handicapped Infants Project at the University of Virginia Medical Center has developed a curriculum which is widely used in hospital-based programs in many states.

Question: To what degree are the activities funded under the Early Childhood Education Program unique?

Answer: Activities funded under this program are unique in many respects. The demonstration projects are locally-designed, and offer an opportunity for any public or private non-profit agency to compete to develop a new approach. Demonstration projects have enough time, 3 years, and resources to develop a high-quality model with all the components necessary for others to use the model. There is opportunity for local, State, regional and national dissemination, and there is the mechanism, through the Outreach component, for proven projects to assist agencies in any part of the United States which want to replicate their models without having to duplicate the effort of development. The activities provide opportunity to advance early childhood with different kinds of complementary funding for demonstration, replicating through Outreach, technical assistance, state planning and research.

To enhance the effectiveness of this program, experienced technical assistance is provided to help projects meet their objectives sooner and obtain non-program support to continue the services after the demonstration period. About 85 percent of the projects initially funded in 1971 are still being continued from non-program funds. In addition, the projects work actively with other programs such as Head Start, which complemented the efforts of the projects in its 7th Annual Report to the Congress.

Question: The appropriation also has paid for four Early Childhood Institutes. What other sources of funding can these Institutes use in the future?

Answer: The four Early Childhood Institutes have been encouraged to seek financial support from other sources. Two of the projects are receiving support from other agencies, such as the National Institutes of Health. However, such support is often related to only one aspect of the Institute's work, and could not be diverted to direct support of Institute programs. State funds are a minor factor in these Institutes, and there is no indication that any major increase in State support can be anticipated.

INNOVATION AND DEVELOPMENT

Since fiscal year 1978, $20 million has been appropriated for Innovation and Development.

Question: What contributions have been made to better education for handicapped children as the result of this appropriation? Provide specific examples.

Answer: These funds have supported 256 research and 112 demonstration projects. Research findings or demonstrated procedures have been described in some 500 reports. In addition a great many instructional materials have been developed. Less obvious by-products include personnel training and children receiving specialized services, especially in connection with demonstration projects.

Examples of specific contributions derived from this appropriation include:

-- Science materials and techniques designed to meet the special needs of orthopedically handicapped children.

-- Modifications of social science curriculum and instructional materials to meet the special needs of the blind.

-- A major new language test developed specifically for the deaf.

-- Data and program guidelines which demonstrate major accomplishments in vocational training for the severely retarded.

-- Extensive data on how neurometric tests can improve the precise diagnosis of children with learning disabilities and lead to better selection of effective treatments.

-- Information on effectiveness of a variety of educational treatments for autistic children.

-- Three programmed techniques for articulation therapy which markedly increase the efficiency of speech pathologists.

-- Several proven management information systems for use by administrators at both the State and local levels.

Question: What other sources of funding exist for this kind of research?

Answer: A number of Federal programs support research relating to the handicapped. Within the Department of Education, both the National Institute of Handicapped Research and the National Institute of Education support research in this area. However, the Innovation and Development program is the only research program focussing specifically on education of the handicapped.

The history of Federal involvement in research for the handicapped demonstrates the need for this specific authority. Under the Cooperative Research Act funds were initially earmarked for research related to the education of the mentally retarded. When the earmarking was dropped the proportion of research funds which focussed on the retarded dropped from 65% to 7% over a five year period. Again, when the National Institute of Education (NIE) was established, slightly over $5 million dollars and about 18 of the more basic projects then being supported were transfered to NIE and completed. Additional projects relating to the handicapped have been funded, but the proportion of NIE funds going to projects relating to the handicappped has never approached the early levels.

Question: Do States pay for this activity? Which ones?

Answer: At present we are not aware of any State which is providing any signiificant level of support for either research or demonstration activities relating to the handicapped. At one time California and Florida supported relatively small scale research support programs but these are not currently operating.

Question: This appropriation pays for nine research Institutes. How were these Institutes chosen?

Answer: The Institutes were selected through two national competitions, one for Early Childhood Institutes and one for Learning Disabilities Institutes. The Office of Special Education initially developed a scope of work and statement of topics of particular interest, and announced the availability of funding. In each case approximately 50 institutions, mostly colleges and universities, from across the country responded by submitting proposals. These proposals were evaluated and ranked by panels of research experts in the two fields. The Institutes contracts were then negotiated with the institutions judged to have presented the best proposals.

REGIONAL, VOCATIONAL, ADULT AND POSTSECONDARY PROGRAMS

Under the appropriation for Regional, Vocational, Adult and Postsecondary programs funds are provided to four postsecondary institutions specializing in educating the deaf, and for demonstration awards to improve postsecondary education for the handicapped.

Question: How were the four institutions chosen to receive special grants since 1975?

Answer: The programs were named by members of the Congressional Committee in discussing amendments to the Supplemental Appropriations Bill of 1975. Reference was made to providing opportunities for services in existing programs of excellence to deaf students in other parts of the country, other than in Washington, D.C. (Gallaudet College) and schools on the east coast (National Technical Institute for the Deaf in New York State). They were similarly named in the Report of the Senate Committee on Human Resources in discussing the Education of the Handicapped Act Amendments of 1977. The legislative history stated that the Congressional Committee did "not intend that the funding of new programs be made at the expense of the original four programs in Washington, California, Minnesota, and Louisiana".

Question: How do activities funded under this program differ from those supported under the regular Vocational Education or Vocational Rehabilitation Program?

Answer: The bulk of regular Vocational Education Program funds are part of State Grant Awards, and the vast majority of recipients are LEAs. There is a wide degree of variance from state to state in the extent to which postsecondary educational offerings for handicapped persons are supported through such programs. Vocational Education enrollment data indicates a very disproportionate representation of service to handicapped individuals. The model demonstration component of the Regional Education Program has generated models which some states have incorporated into their State Plans for Vocational Education. An important focus of regional Education programs includes preparatory offerings to facilitate entry or transition of low-incidence handicapped populations into postsecondary programs for which Vocational Education funds make no provision.

The Vocational Rehabilitation program may provide tuition assistance, prostheses, travel, housing and funds for books and supplies for handicapped recipients, none of which are allowable under Regional Education Program authority. Recent priority emphases of Vocational Rehabilitation program support have focused on the unemployable severely disabled population, and have all but removed any source of support for disabled persons pursuing baccalaureate and postbaccalaureate training. Further, there is wide state-to-state and within-state variance regarding the manner in which such funds are awarded. Regional Education demonstration monies may not be used for tuition, housing, or other assistance allowable under Vocational Rehabilitation; rather they provide models of cost-effective service delivery to programs that serve students enrolled in postsecondary programs. Vocational Rehabilitation Program funds may not be applied to disabled persons who find they need additional course-work to maintain their current employment status, or to advance in their professions, because of new information and/or technological advances in their respective fields. Returnees to university programs are able, however, to profit from the models that are generated by Regional Education Program projects.

MEDIA SERVICES

A major focus of the Media Services appropriation has been to make captioning in television and movies available to the broadest possible number of deaf or hearing impaired people.

Question: What success has this program had?

Answer: Captioning for the Deaf has resulted in moving deaf persons from a world of isolation into the mainstream by opening new avenues of communication. The long list of significant advances includes designing instructional materials to meet the unique needs of this population, the launching of a comprehensive multi-media language development program, a network of 60 libraries to distribute captioned educational films to classrooms throughout the country, and operation of a library of captioned theatrical, documentary, and adult education films serving all 50 states. The development of captioned television has made this medium a reality in the life of the hearing impaired individual just as it is for his hearing neighbors. Captioned educational and theatrical films reach over

4,000,000 hearing impaired persons each year. The main library books and ships over 8,000 films per month during the school year. The National Captioning Institute provides over 30 hours of captioned TV per week.

As a result of the success in the United States, Canada established a similar program about three years ago. In Australia, attempts are also being made to establish a program.

Question: How many people have access to captioned television services?

Answer: The Government-supported captioned ABC News that is broadcast over the PBS system five evenings during the week is estimated to reach approximately six million people daily.

In addition persons who have a decoding device attached to their television set have access to the "closed" captioning services broadcast over the PBS, ABC, and NBC networks. Since this service became operational in March, 1980, it is estimated that the audience has grown to the point that 1,150,000 hearing impaired persons now have direct access to closed captioned programs. As the number of decoding devices increases--current sales are at 3,000 per month--the audience will increase accordingly.

The IRS has ruled that these devices are deductible as a medical expense just as are hearing aids and other prosthetic devices. This ruling, however, does not help the average deaf taxpaper who does not earn enough to itemize his tax return. Legislation introduced in Congress last year to provide tax credits to the hearing impaired who purchase these devices was not acted upon.

Question: What cooperation have commerical television and film producers given to the captioning initiative?

Answer: ABC and NBC are currently spending $500,000 each to caption several of their programs each week. More than 600 advertisers have purchased captioning services for their television commercials. In addition a number of other major commercial firms have paid to caption their specials. These include companies such as IBM, Sears Roebuck and Company, Bristol Meyers, and Proctor and Gamble. For each decoding device sold, an $8.00 royalty is given to help support the closed captioning system.

A number of educational programs are also being closed captioned. These include "321 Contact", "Sesame Street", and "Once Upon a Classic". Other information programs such as "Over Easy", "Nova", "Cosmos", "Here's Your Health" and "The Body in Question" are also closed captioned.

CBS is not participating, stating they feel the Teletext system will eventually provide better service. However, a fully operational Teletext system must be proven to be commerically viable before it can take hold.

Canada, which is also developing a Teletext system has also shown a strong interest in the Line 21 Closed Captioning system. All major Canadian Broadcasters are participating in this system and decoding devices will soon be on sale in Canada.

AVERAGE PER PUPIL EXPENDITURE (APPE)

The Federal government is authorized to pay up to 40% of the "excess cost" of educating a handicapped child. To do this, the Federal government calculates an average-per-pupil-expenditure (APPE) for the cost of educating a student, and then pays a fixed percent of this APPE to help cover the additional cost of educating a handicapped child.

Question: How does the Federal government estimate the APPE figure?

Answer: The average per pupil expenditure used in the distribution of funds is based on the average per pupil expenditure during the fiscal year preceding the fiscal year for which funding is provided. The last year for which actual data is available is the 1978-1979 school year. At that time, the average per pupil expenditure was $1,919. This amount was used as the basis for distributing the fiscal year 1980 appropriation. Projections of average per pupil expenditures for fiscal years 1981 and 1982 are based on Federal purchase of service inflators for State and local purchases. Applying a Federal purchase of service inflation of 10.0 percent for the 1979-1980 school year produced an estimated average per pupil expenditure of $2,110 for fiscal year 1981. This estimate was then projected forward to a level of $2,328 for fiscal year 1982 using a 1980-1981 Federal purchase of service inflator of 10.3 percent.

Question: Many State administrators claim that the Federal APPE is far too low, and actual per pupil costs are much higher in many areas of the country. How do you rebut this criticism?

Answer: The average per pupil expenditure used for distributing funds in the handicapped program is the national average. Some States have average per pupil expenditures greater than the average and some less than the average. The five States with the highest per pupil expenditures average about 50 percent above the national average, whereas the five lowest States average about 30 percent below the national average. Also, by law the formula for distributing funds is based on the average per pupil expenditure during the second fiscal year preceding the fiscal year for which the funds distribution is made. This means that average per pupil expenditure used in the formula reflects costs which are two years old, not current costs. In times when there are large increases in average school expenditures this would lead to large differences between the expenditures incurred by the States during a year and the average per pupil expenditures used to distribute funds.

REGIONAL RESOURCE CENTERS

Question: The Federal government has been supporting Regional Resource Centers since 1969. What important role do these Centers play?

Answer: The Regional Resource Center (RRC) program provides a means for devoting limited technical assistance dollars to alleviating the persistent problems in providing quality educational services to all handicapped children. Because they are regionally based, the RRCs have a broader perspective of the common needs among States and can in many instances make more efficient use of technical assistance dollars by designing multiple State technical assistance activities. Because they are assigned specific areas of expertise, each RRC can concentrate some of its resources on identifying the most current information and materials, and on documenting successful practices nationwide in that area and share this information with all of the other RRCs. Finally, because they are linked programmatically with 11 other RRCs, each RRC can bring the most current information about materials and successful practices from across the nation to the technical assistance it provides the States within its region.

Question: Why should the Federal government continue to support them?

Answer: As indicated in the previous answer, the Centers are responsive to States' needs in many ways. In the Fiscal year 1982 budget submitted to Congress by the President, the monies for the Regional Resource Centers would become a part of the block educational grant to the States. It is assumed that States will use these monies for technical assistance to enable State and local personnel to better serve handicapped children. To make efficient use of these dollars, it is our hope that the States will find ways to develop joint or multiple State technical assistance efforts aimed at common problems. It is also hoped that States will find ways of sharing successful practices in serving handicapped children with one another so that each State's technical assistance activities reflect the most current, broad-based information.

Question: What have these Centers accomplished? Cite specific examples.

Answer: The RRCs have only been operating under their current workscope since October 1980. Under the previous workscope, from 1977 to 1980 the RRCs concentrated on technical assistance activities related to the Individualized Education Program (IEP) These activities fell into the categories of demonstration, training, and other assistance such as consultant services and the design, development, and implementation of services, materials, or other products. Most States requested the latter two types of assistance.

-- Between 1977 and 1980, in the category of training RRCs developed and, in most instances, implemented training packages related to comprehensive systems of personnel development, parent surrogates, nondiscriminatory assessment, screening of handicapped students, vocational education, mediation, IEP monitoring, interagency cooperation, program review and other topics.

-- In 1978-1979 a total of 31,860 administrators, teachers, and parents received some type of training from the RRCs.

-- Centers prepared and disseminated a major guide for State and local agencies to use in developing and maintaining interagency collaboration.

-- State agencies were assisted in developing and disseminating interagency agreements.

-- A step-by-step model for placing handicapped students in the least restrictive environment was developed.

-- A model IEP program for severely handicapped students was developed.

-- Parent notice and consent forms were developed.

In late 1978 the Communication Technology Corporation of Marlton, New Jersey, evaluated the capacity building accomplishments of the RRC program. Their report, issued in June, 1980, stated the following:

-- The RRC program has shown impact not only at the SEA level, but also at the LEA level. SEA ratings of RRC services in building State capacity to implement P.L. 94-142 are positive and the general level of knowledge of the requirements of P.L. 94-142 has increased at the LEA level.

-- The dissemination efforts, materials developed, and the training conducted by the RRCs have all contributed to the advancement of the level of knowledge about the implementation of P.L. 94-142.

-- RRC clients regard the RRC as an excellent general resource delivery system.

-- The majority of SEAs indicated that they felt that, as a result of RRC services, there was added capacity in the SEA to provide educational materials, train teachers, and positively effect the implementation of IEPs.

-- Local special education directors and parents surveyed indicated that RRC instigated services have impacted IEP appraisal services, IEP development services, and IEP evaluation services at the local level. Parents also indicated that RRC services have improved IEP implementation.

-- There is evidence that RRC services have had a positive impact on the attitudes of LEA directors of special education, teachers, and parents towards IEPs.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: Since 1966, the Federal government has appropriated $618 million on Special Education Personnel Development. Why should the Federal government be responsible for the training of this special class of teachers?

Answer: The Education for All Handicapped Children Act (P.L. 94-142) places the responsibility for assuring an adequate supply of teachers to educate all handicapped children in the States.

Since the enactment of Public Law 94-142 the goals of the Federal programs have been to help States fulfill the mandate of the law through financial assistance and support for programs aimed at improving the quality of special education programming. This commitment to quality has been the primary rationale for Federal support of teacher training activities. Through support of programs which are designed to address State priorities, as outlined in annual program plans submitted under Public Law 94-142, this program assures that needs which are least likely to be met without such support are addressed. Under the direction and with the support of Congress, we have focussed on training teachers of young handicapped children, children in rural and urban settings, and children with severe handicaps for whom special education had previously been inadequate or nonexistent. In sum, although the Federal government is not responsible for assuring that there is an adequate supply of teachers, the support provided by Federal programs has played an important part in addressing priority needs, and in assuring that the national commitment towards achieving the goals of Public Law 94-142 were backed by a considerable amount of support for the preparation and training of special and regular education teachers.

Question: Why aren't the free market incentives of supply and demand enough to fill the need for special education teachers?

Answer: The demand of special education teachers has not been adequately met by free-market incentives due to the several factors including the rapidly increasing demands for services, and the pressures being placed on State and local budgets which often cannot support the level of services required. In addition, because major training programs are located in large urban areas, graduates do not generally seek positions in rural and other isolated areas where there are a relatively large number or unserved and underserved children.

One of the objectives of the Federal effort has been to remedy these problems by initiating or expanding training programs which serve target areas or populations. For example, there are few training programs for teachers of the severely handicapped and seriously emotionally disturbed. While these programs may be operating at maximum capacity, the total number of persons trained is still insufficient to meet the current need.

Question: What portion of this budget in fiscal year 1981 is directed at inservice training of special education and regular classroom teachers?

Answer: The 1981 budget maintains a close balance between preservice and inservice training. In preservice training, $30,029,000 or 52 percent is projected while $27,971,000 or 48 percent is projected for inservice training.

Of the inservice dollars, $11,875,000 is projected for regular classroom teacher inservice training, $4,511,000 for inservice training of support personnel, and $8,170,000 for inservice training of special education teachers including the low incidence populations of severely handicapped, visually handicapped and hearing impaired. In addition, $3,415,000 would be utilized for instructional models of inservice training.

PERSONNEL DEVELOPMENT

Question: The original Carter fiscal year 1982 budget justification states that there is a "current shortage" of 63,000 special education teachers. How was this figure arrived at?

Answer: Estimates are based on data provided by the Comprehensive System of Personnel Development (CSP) section of the State Annual Program Plan required by Public Law 94-142. Each State is asked to indicate the number of positions for special education teachers currently available, and to project future needs. The figure of 63,000 is the difference between the number of special education teachers actually employed for school year 1978-1979 and the number which was projected to be needed for that year.

An additional 52,000 support staff are also needed. This includes teacher aides, psychologists, diagnostic staff, physical educators, occupational and recreational therapists, speech pathologists/audiologists, supervisors, home-hospital teachers, school social workers, work-study coordinators, and other non-instructional staff.

Question: Why has Federal support for personnel development, since 1966, failed to fill the need for special education teachers?

Answer: Since the passage of Public Law 94-142 the demand - and cost - of special education services has increased dramatically. As the number of children served has increased by nearly 1 million over the past decade, and inflation has increased costs by 250 percent in the same time period, the major financial support for teacher training has remained the individual student. The Federal program was never aimed or funded at a level to completely fill the need for special educators.

A major concern of States as indicated in their plans submitted under Public Law 94-142 has been the lack of fully certified personnel, both currently employed or available for employment. The continuing critical problem associated with the personnel needed in special education is that it is only through preservice education that a person can become certified.

In addition to the approximately 63,000 teachers needed at the preservice level, it is necessary to replace the annual attrition of a minimum of 6 percent of the teaching force, or 13,000 teachers per year. States have only been able to fill 17,000 of the 24,000 new special education positions each year with fully trained and certified teachers because of the attrition needs.

The remaining 7,000 positions are filled by teachers with emerging or provisional certificates in special education. These teachers require additional preservice training to become fully certified.

Beyond the personnel availability data, it is also known that the number of children receiving special education has been increasing by 100,000 per year. In addition, special needs remain unmet in low incidence handicapping conditions, severely handicapped, rural Native American and Hispanic areas. Despite Federal support, the major burden of training teachers remains with the State and local agencies. The Federal program is geared towards assuring that priority needs are being addressed and that innovative training programs are maintained and disseminated.

FUNDING PRIORITIES

Question: Can you tell us now your funding priorities for research activities?

Answer: The long-range plan identifies objectives for a five year period. Specific priority planning for any given year will take into account such variable factors as changing needs of handicapped persons, recommendations of consumer and other concerned groups or organizations, and resource availability. Specific priorities for 1981 and 1982 are pending finalization as specific funding levels are still in abeyance.

INDIAN REHABILITATION SERVICES

Question: What is your timetable for distributing the $650,000 intended for Indian Rehabilitation Services?

Answer: A notice is expected to be published shortly in the FEDERAL REGISTER announcing competition for Fiscal Year 1981 grant funds. It is currently expected that applications will be submitted in May and they will be reviewed in June. It is hoped that all grant decisions can be made in early summer.

REHABILITATION SERVICE FOR THE SEVERELY HANDICAPPED

Question: The total number of persons rehabilitated annually has decreased from 324,000 in Fiscal Year 1975 to 277,000 in Fiscal Year 1980, during that period the percentage of severely handicapped persons rehabilitated has increased from 35 percent in Fiscal 1975 to 51 percent in Fiscal 1980. What administrative or programmatic measures might be undertaken to increase the total number of rehabilitations without jeopardizing the advances made in the rehabilitation of the severely disabled?

Answer: From an all-time high of 361,000 in Fiscal Year 1974, the number of clients successfully rehabilitated declined in 5 of the 6 succeeding years, to 277,000 in Fiscal Year 1980, a decline of 23 percent. Although on the average, the severely disabled cost 50 percent more to rehabilitate than do the non-severely disabled, the 1973 legislative requirement to provide priority service to the severely disabled accounts only in part for the reduced number of rehabilitants. Inflation has cut into State agency resources, reducing the buying power of the rehabilitation dollar by 23 percent since 1975 -- despite increases in actual appropriations.

Faced with this challenge, the agency has responded with administrative steps to conserve funds through increased program efficiency. Measures that are already under way to help stretch available funds include workshops for State agency staff and rehabilitation counselors to promote more efficient operations, allowing agency personnel to spend more time serving people. Vocational rehabilitation agency personnel have also been trained to identify and use services that can be covered by another funding source, for example, vocational training under CETA and education under the various student aid programs.

Question: How can earnings and stability of employment be improved for severely handicapped clients who have been rehabilitated?

Answer: We know that the severely handicapped can suceed in work at all competency levels. The major barrier is the willingness of employers to place the severely handicapped in positions at high enough levels so that their earnings can match their true capabilities.

For certain very severely handicapped people, the negative effects on job stability that result from the extra costs of personal maintenance such as attendant care and transportation are frankly more difficult to overcome. For these clients, we must look to continuing advances in the state of the art to promote greater independence at a lesser cost to, in turn, improve their employment potential.

It is also important to point out that the picture of earnings for rehabilitants with both severe and non-severe disabilities has improved since 1975. In that year, the mean earnings of severely handicapped rehabilitants were $71.70 per week compared to $93.20 for the non-severely disabled. In 1979, the earnings were $106.50 and $131.10 respectively. Significantly, the improved earnings for the severely handicapped group in this period increased by 48.5 percent compared to 40.7 percent for the non-severely handicapped. In the same four-year time span, the Consumer Price Index increased by 34.9 percent.

Regarding stability of employment, the law authorizes post-employment services be provided to rehabilitants where these services would help ensure continued employment. The number of cases where such services are provided has increased in recent years, from 7,499 cases or 2.3 percent of the rehabilitants in 1976 to 11,194 or 3.8 percent in 1979. The increase is even greater for severely handicapped clients, 5.2 percent of whom received post-employment services in 1979 compared to 3.2 percent in 1976. This service has yielded good results, with 75 percent to 80 percent of the recipients maintaining their employment after initial placement.

DUPLICATION OF REHABILITATION SERVICES

Question: Several federally-funded agencies employ vocational counselors to develop jobs for the handicapped. What can be done to prevent the duplication and overlap resulting from vocational counselors representing different agencies, all developing training and employment plans for the same handicapped individual?

Answer: Duplication and overlap of the kind described occur infrequently and, of course, are not supposed to occur at all. Whenever a handicapped individual is being rehabilitated in the federally-funded rehabilitation program, his or her movement through the process of rehabilitation is spelled out by the client and the VR counselor in an "individualized written rehabilitation plan", the IWRP. The VR program is unique in that it provides a wide array of services needed by an individual including those needed by him or her before he or she can enter into the training and employment phase of rehabilitation. However, our law requires that a counselor make use of programs and services for the client from other sources where they are available. This requirement, which is designed to promote the efficient use of all available resources, may also cause the appearance of duplication. For example, an individual could be receiving the training and employment part of the IWRP through a Labor Department program like CETA. But it is important to recognize that such an individual is not also receiving the same services directly from the vocational rehabilitation program. Moreover, the services provided only have come about through cooperative arrangements between a State agency and the other unit involved.

Stated another way, a number of programs exist which deal with a specific aspect of rehabilitation, -- training, vocational counseling, physical restoration. The vocational rehabilitation program is unique in that it offers to the handicapped individual the broad array of services leading to employment. Where another program is operating in a given area, the VR program is required by law to make use of the services available. Regardless of the other services provided, however, responsibility for developing, monitoring and modifying the IWRP rests with the vocational rehabilitation counselor in the VR agency.

Question: Couldn't one local agency be assigned the lead role in counseling handicapped persons eligible for services from several agencies?

Answer: This is indeed the practice and reflects the statutory requirements that wherever a service is provided under the Vocational Rehabilitation Act, the vocational rehabilitation agency involved must take the lead role in arranging for and coordinating services for the handicapped client. This practice is formalized in each case by "cooperative agreements" with the other service providers.

If the handicapped individual is not enrolled through the VR program for any reason, then, of course, the VR counselor is not a party to his or her rehabilitation. Examples of this include a client who does not meet eligibility requirements or if the handicap is a minor and the person has been excluded through the order of selection process which gives priority of service to the more severely handicapped applicant. Also, when the client is a veteran with a service connected disability, the Veteran's Administration has the lead responsibility.

REHABILITATION SERVICE PROJECTS

Question: How are priorities among the Vocational Rehabilitation Service Projects established?

Answer: Priorities among the Vocational Rehabilitation Service Projects are determined by the Rehabilitation Services Administration each year on the basis of evidence of special service needs and consultation with representatives of State and voluntary agencies with an interest in rehabilitation services for the severely disabled. For most of the Vocational Rehabilitation Service Projects, special priority is so precise that the mandated objectives of the program constitute in and of themselves the essential programmatic priorities.

Question: Could some of the service projects be deleted as separate items and be incorporated into the Basic State Grant Program? In this way, decision-making regarding these funds could be established at the State, rather than the Federal level.

Answer: Those grant authorities with project objectives consistent with the Basic State Grant Program and with States designated as the sole eligible grantees could be incorporated into the Basic State Grant Program. These authorities include the Handicapped American Indian Vocational Rehabilitation Service projects under Section 130 of the Act and the Handicapped Migratory Agricultural Worker Vocational Rehabilitation Service projects under Section 312 of the Act. In both of these cases, the purpose of the distinct grant authority is to provide State vocational rehabilitation agencies with funds to implement special service programs for identified populations of handicapped individuals. Although fully consistent with the purposes and the mission of the Basic State Grant Program, the separate program authorities provide assurance that services will be directed towards these vulnerable special populations who tend to reside in only certain regions of the country, and are not found proportionally in each State.

VOCATIONAL REHABILITATION CLIENT EARNINGS

Question: A study completed in 1978, "Implementing the Rehabiltation Act: The VR Program Response", found that 25 percent of the clients rehabilitated were working in jobs below the minimum wage. How could your selection criteria be adjusted to emphasize choosing people for rehabilitation who want to go into stable occupations with the greatest money-making potential, as opposed to homemaking and sheltered workshops?

Answer: We believe you are referring to a study made by the Audit Agency, Office of the Inspector General, Department of Health, Education, and Welfare in June 1978. It dealt with cases that were active in 1975 and 1976. Although the total sample in the study was 1,082, only 144 cases in five States were "closed successful", the category that is relevant to the question. While the sample was very small, we felt that the audit was useful and concurred with the recommendations that resulted.

In responding to the question, several factors must be considered. First, as the study indicated, a problem does exist where counselors steer clients into low-paying jobs. This is correctible with training and monitoring. In particular, training of counselors has taken place with industry representatives on job forecasting, job development, job engineering, and job analysis as it relates to the vocational rehabilitation program. However, it must also be stated, that the vast majority of VR clients who come to a State agency are at or below the poverty line. That is to say, they bring to the program not only the problem posed by their disability, but an array of problems associated with their disadvantagement, including low educational and skill levels. Although it remains the goal, it is often difficult to place many of these clients in better paying positions because they lack sufficient qualifications, a deficiency not related to their handicap. Even those with skills, or with the potential for advancement, often are placed in entry level positions where they can be competitive, and these jobs, of course, are low paying. In such cases, however, the opportunity for increased income is a real future possibility.

Regarding homemaking and sheltered workshops as viable categories of case closures, the VR selection process admits only those with employment potential. Some, notably some severely disabled clients, are admitted whose potential may be questionable. Counselors may "take a chance" on a client. There are many instances of this nature where the only reasonable outcome turns out to be homemaking and sheltered workshop employment. The client may not be able to work in a competitive job, but his or her capabilities have been upgraded to allow greater freedom, confidence and independence as a homemaker or employee in a sheltered workshop. Thus, while these goals are not emphasized, we believe it would be extremely poor policy to further discourage or disallow them.

Incidentally, our data show that the percent of rehabilitants in homemaking has declined in recent years for severely handicapped individuals, from 20.7 percent in fiscal year 1975 to 17.7 percent in fiscal year 1979 and, for the non-severely disabled, from 12.9 percent to 10.5 percent in the same period. We should note, however, that there is a wide disparity between men and women regarding this closure status. In 1979, 24.7 percent of the women rehabilitants were closed as homemakers compared to 4.7 percent of the men.

There have been similar reductions in the rate of placement in sheltered workshops. For the severely disabled, the proportion has dropped from 10.1 percent in fiscal year 1975 to 8.7 percent in fiscal year 1979. In the same period, the percent of non-severely disabled thus placed declined from 1.1 percent to .7 percent.

Question: How could you strengthen job placement services?

Answer: We plan to continue the emphasis that RSA has made on having agencies improve job placement and job development through training counselors both to lessen job stereotyping and to improve knowledge of the job market; and through increased working relationships between State agencies and employers and unions. Several States vastly improved in this area and are serving as exemplary models to the others, as is the Projects with Industry demonstration program. The Basic State Grant program and the PWI discretionary program have successfully anticipated labor market needs and have shown us how to open doors to viable careers for the rehabilitated disabled.

TARGETING SERVICES ON HANDICAPPED WITH GREATEST SUCCESS POTENTIAL

Question: Since the target population of handicapped persons eligible for rehabilitation services is ten times larger than the number which can be served with limited Federal funds, why shouldn't priority be given to serving those with the greatest chance of being successfully rehabilitated?

Answer: Two factors must be considered here. First, that there are a large number of handicapped individuals, both severely and non-severely disabled who, because of their own initiative and resources, can and do rehabilitate themselves and never seek the services available under the VR program. The latter can be, and is being, adequately assisted though other programs. To be sure, if we served the mildly disabled, the number of rehabilitations would increase dramatically, but the cost-benefit picture would be a false one. We would be spending public funds on those who could succeed without any government assistance, or with help from another source, while reducing resources for those who really require the help available from the vocational rehabilitation program.

Secondly, while the law does require priority of service to the severely handicapped, before an applicant is accepted into the VR program, there must be a reasonable expectation of success. In other words, a selection process takes place so that services go to those who need them and have the potential to benefit from them whether moderately or severely disabled.

Question: What percent of severely handicapped people are successfully rehabilitated, compared to other handicapped persons?

Answer: In fiscal year 1980, 60.9 percent of the severely disabled whose cases were closed after they had been determined eligible for VR were successfully rehabilitated. This compared to a rehabilitation rate of 68.7 percent among the non-severely disabled.

Question: How many more handicapped people could be rehabilitated each year if the law was changed to no longer require emphasis on the severely handicapped?

Answer: An additional eligible 14,000 disabled persons could have been rehabilitated in fiscal year 1980 had priority services to the severely disabled not been mandated by law. This estimate assumes that the percent of severely disabled persons among all rehabilitations would have levelled off to 40 percent without legal restrictions, instead of the 51.4 percent actually experienced in fiscal year 1980. The key feature of the estimate is the known fact that, on the average, a severely disabled person costs 50 percent more to rehabilitate than a non-severely disabled person. (This increase of 14,000 is made up of a decrease of 26,500 severe cases and an increase of 40,500 non-severe cases so that the total rehabilitations would have been about 291,100 instead of 277,136.) The additional number of persons in receipt of rehabilitation services in fiscal year 1980, under the above assumptions, would have been approximately 55,000.

CENTERS FOR INDEPENDENT LIVING

Question: What results have been obtained from the Centers for Independent Living which might indicate whether or not the State allotment program and services for older blind individuals should be funded?

Answer: The Centers for Independent Living projects have not been in place long enough to have generated data to support any proposal to fund the other Indpendent Living authorities. Of 59 programs which have received grants to establish and operate Centers for Independent Living, only the ten awarded late in fiscal year 1979 have had as much as one year's experience.

The Rehabilitation Services Administration has emphasized in its testimony over the past two years that it is necessary to learn more about Independent Living programming through discretionary grants before moving into a formula program. Nonetheless, State interest in Independent Living is high. Some measure of State support for programming in Independent Living can be seen by the amount of State derived funding and other resources that are directly contributing to the projects now in place. Although no match is required by the Rehabilitation Act, most States show participation in an amount that totals more than $1.6 million, or slightly more than 10 percent of the $15 million Federal appropriation for fiscal year 1980.

NATIONAL COUNCIL ON THE HANDICAPPED

Question: What problems has the National Council on the Handicapped encountered, if any, in attempting to implement its mandate to establish general policies for the National Institute of Handicapped Research?

Answer: No problems have been encountered in establishing NIHR general policies, except that when the Council met for the first time in November, 1980, NIHR had been in operation for 18 months and had already assumed ongoing responsibilities for the research and certain training activities previously administered by the Rehabilitation Services Administration (RSA) under statutes going back to 1954. Consequently, finding certain policies already in effect, the Council needed to function at an accelerated pace. Three Council meetings were held within its first four months of existence. NIHR policies were given highest priority and attention.

Question: What advice has the National Council offered the Commissioner of the Rehabilitation Services Administration, and the Director of the National Institute of Handicapped Research regarding the development of programs to be carried out under the Rehabilitation Act?

Answer: In its first four months of existence, the Council has experienced an intensive learning period and initiated ongoing dialogues with the Director of NIHR and the Acting Deputy Commissioner of RSA. Those dialogues have enabled the Council to (1) gain needed background information from agency officials e.g. the status of programs, what resources exist, and how resources have been allocated; (2) provide suggestions and advice; and (3) ascertain where further advice might be most profitably directed.

Currently, a draft working paper which synthesize major policies guiding NIHR's functioning is under review by Council members and NIHR. If approved by the Council at its May, 1981 meeting, a statement of proposed policies will be given wider circulation for comment by members of the research community, the service community and persons with handicapped conditions.

REHABILITATION BLOCK GRANTS

Question: It has been suggested that the Title XX Block Grant approach be expanded to include a number of categorical programs, including Vocational Rehabilitation. This proposal would then reduce total funding to 80 percent of current levels and give the States flexibility to choose the exact array of services to be provided What do you see as the pros and cons of such a proposal?

Answer: There are two fundamental advantages to block grants. First, by removing any restrictive and duplicative Federal requirements and conditions on uses of funds, consolidation could give to States the major role in giving priority to services that will best meet the needs of their populations. Second, it would permit more efficient administration at the State level, thus freeing resources for the provision of services which could produce significant cost savings.

Certain disadvantages could come with block grant for vocational rehabilitation if the flexibility given the States is very broad. There are no assurances that States would continue this program.

This would result in chaotic disruption to services to clients currently being served, deny services to potential clients, and collapse the State/Federal vocational rehabilitation program structure. In addition, there could be wide disparity in the quality and quantity of services available from State to State.

In changing to a block grant system of funding, certain projects that are national or regional in scope have been included. These projects include the Helen Keller National Center for the Deaf-Blind, the regional spinal cord injury systems, and migratory worker projects, which tracks the handicapped client across State lines.

SUBCOMMITTEE RECESS

Senator WEICKER. If there are no further questions, I will adjourn this particular hearing and I look forward to seeing more of you at sometime in the very near future and hopefully we will have something worked out. I have no doubt, let me say, on all of your part that we all have the same interest at heart, which is a very special group of people, and regardless of what the conveniences or the inconveniences that are thrust upon us by virtue of either law or platform or philosophy or whatever, that all pales in significance compared to doing the right job by the people covered by this budget. The committee will recess until 2 p.m. this afternoon.

[Whereupon, at 12:05 p.m., Wednesday, March 4, the subcommittee was recessed, to reconvene at 2 p.m. the same day.]

(AFTERNOON SESSION, 2 P.M., WEDNESDAY, MARCH 4, 1981)

OFFICE OF POSTSECONDARY EDUCATION

STATEMENT OF EDWARD L. MEADOR, ACTING ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:

- JAMES MOORE, ACTING DEPUTY ASSISTANT SECRETARY FOR STUDENT FINANCIAL ASSISTANCE
- ANITA ALLEN, ACTING DIRECTOR, DIVISION OF POLICY AND PROGRAM DEVELOPMENT
- JOSEPH VIGNONE, CHIEF, BASIC GRANTS POLICY BRANCH
- DAVID BAYER, CHIEF, GUARANTEED STUDENT LOAN POLICY BRANCH
- WILLIAM DINGELDEIN, DIRECTOR, DIVISION OF POSTSECONDARY ANALYSIS
- JOHN HAINES, DIVISION OF POSTSECONDARY ANALYSIS
- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET
- RICHARD DIX, CHIEF, GUARANTEED STUDENT LOAN ANALYSIS SECTION
- RICHARD SONNERGREN, ACTING DEPUTY ASSISTANT SECRETARY FOR HIGHER EDUCATION INCENTIVE PROGRAMS
- RICHARD FAIRLY, ACTING DEPUTY ASSISTANT SECRETARY FOR INSTITUTIONAL SUPPORT
- RICHARD THOMPSON, ACTING DEPUTY ASSISTANT FOR INTERNATIONAL EDUCATION
- JOHN PROFFITT, DIRECTOR, DIVISION OF INSTITUTIONAL AND STATE INCENTIVE PROGRAMS, OFFICE OF HIGHER EDUCATION INCENTIVE PROGRAMS
- THOMAS McANALLEN, CHIEF, ACADEMIC FACILITIES BRANCH, OFFICE OF INSTITUTIONAL SUPPORT

SUBCOMMITTEE PROCEDURE

Senator RUDMAN [presiding]. Good afternoon. The subcommittee will come to order.

This afternoon we are going to hear testimony on the budget in the Department of Education which supports postsecondary education in this country.

The largest part of this budget is spent on student financial assistance. This includes guaranteed student loans, basic educational opportunity grants, now Pell grants, a supplemental educational opportunity grant, college work study, and national direct student loans.

Under higher and continuing education the committee funds a number of programs designed to increase access to and improve the quality of postsecondary education.

The committee also funds a number of higher education loan accounts.

Here to testify before the committee is Mr. Edward L. Meador.

PREPARED STATEMENT

Mr. Meador, we are glad to have you here. If you would like to proceed to introduce the other people with you, we will proceed with your overview statement, and your complete statement will be, of course, inserted in the record.

[The statement follows:]

STATEMENT OF EDWARD L. MEADOR

I am grateful for this opportunity to appear before you to present the 1982 budget request for programs administered by the Office of Postsecondary Education. The total request for these purposes for fiscal year 1982 is nearly $6.9 billion.

The keystone of this request for Postsecondary Education is the Student Financial Assistance programs for which approximately $6.4 billion is requested. These programs, which, for the most part, are based on need, increase access and equal opportunity by eliminating the financial barriers to pursuing a postsecondary education for several million students each academic year.

Along with this budget request, we are proposing amendments in the Guaranteed Student Loan program which would limit the amount which a student can borrow to remaining need, as well as other reforms which would curtail the rising cost of the program while targeting funding for student financial assistance on those most in need of it.

For the Higher and Continuing Education programs, the 1982 request totals approximately $422 million. These funds support a wide variety of programs in five broad categories: student services, program development, graduate support, law and education, and facilities construction.

The student services programs help disadvantaged students to enter college and complete a postsecondary education. They complement the student financial assistance programs by helping the participants to overcome the non-financial barriers to pursuing a postsecondary education. For these programs, we are requesting approximately $169 million.

Our request for program development activities totals $209.1 million. These funds will support a wide range of activities: from assistance to develop and strengthen the academic programs of institutions which serve a large number of disadvantaged students, to expansion of cooperative education, and the strengthening of international education.

We are also requesting $15.5 million to provide support for students pursuing a graduate education in certain areas. Complementing these programs, we are requesting $2 million for Legal Training for the Disadvantaged (CLEO). This program has increased the number of disadvantaged persons who enter the legal profession.

Finally, to meet commitments made in prior years to pay interest subsidies on the construction of academic facilities, we are requesting $25.5 million.

In the Higher and Continuing Education account, we are requesting no funds for several programs for which funds were appropriated in 1981. For the most part, funds for these programs in 1981 are being proposed for rescission.

Three additional activities of the Office of Postsecondary Education are included in this overview: the Higher Education Facilities Loan and Insurance, the College Housing Loans and the Educational, Research, and Training Activities Overseas programs.

The $15 million total requested for the Higher Education Facilities Loans and Insurance and the College Housing Loans programs is required to pay the insufficiencies on participation sales certificates sold in previous years.

The $1 million for Educational, Research and Training Activities Overseas is not a request for appropriation of U.S. dollars, but a request for authority to expend $1 million in foreign currencies held by the Treasury Department which are in excess of the other needs of the government.

Each of these activities will be discussed in greater detail later in these hearings.

For all programs in the Office of Postsecondary Education, regulatory functions are performed only to the extent that program regulations are developed and issued. All administrative costs supporting these functions are funded out of the Departmental Management, Salaries and Expenses account.

Thank you.

NAME : Edward L. Meador

POSITION : Acting Assistant Secretary for Postsecondary Education
Department of Education

BIRTHPLACE AND DATE : Bluefield, West Virginia - August 4, 1932

EDUCATION : B.S., Concord College, Athens, West Virginia, 1953
A.B., Concord College Athens, West Virginia, 1956

EXPERIENCE :

Present : Acting Assistant Secretary
Office of Postsecondary Education
Department of Education

7/74-1/81 : Director, International Division, U.S. Department of Education

7/68-6/74 : Special Assistant to the Director, Institute for International Studies

7/66-7/68 : Director of Research and Planning, Sanz Corporation, Wash, D.C.

9/63-7/66 : Training Officer, Agency for International Development

5/62-7/63 : Assistant Training Officer, USAID/Taiwan

5/60-5/62 : Acting Director, Joint Technical Assistance Committee of the Council for US Aid, Taipei, Taiwan

8/58-5/60 : Binational Grantee, US Information Service, Taipei, Taiwan

INTRODUCTION OF ASSOCIATES

Mr. MEADOR. Thank you, Mr. Chairman. If I may, I would like to introduce my colleagues, beginning on my right:

David Bayer, Chief of the Guaranteed Student Loan Policy Branch of the Office of Student Financial Aid. Next to him, Joseph Vignone, Chief, Basic Grants Policy Branch of the Office of Student Financial Assistance; Anita Allen, Acting Director of the Division of Policy and Program Development.

To my immediate right, James Moore, who is Acting Deputy Assistant Secretary for Student Financial Assistance.

Sally Christensen on my left, whom I believe you know, is Acting Assistant Secretary for Planning and Budget; William Dingeldein, Director, Division of Postsecondary Analysis, and John Haines, Division of Postsecondary Analysis.

Senator RUDMAN. Mr. Meador, before you proceed with your initial statement, I just want to ask you one question which I have been asking at a number of these hearings that we have been having lately.

To what extent are the changes in your program that will be introduced and presented by the new administration incorporated into your presentation today.

Mr. MEADOR. Mr. Chairman, today we are presenting the budget of the Carter administration.

Senator RUDMAN. That's what I thought. And of course, I think one of the frustrating things about this is that we are, in fact, going to hear your testimony today but I expect within a short period of time have a complete new roadmap on which this subcommittee will have to proceed. To that extent, while I expect that some of what we do today won't be wasted, it will not be as meaningful as it might have been 2 or 3 weeks from today. And thus, I expect the staff and members of the subcommittee will probably want to have ample opportunity to discuss some of the changes that are obviously going to come.

1982 BUDGET REQUEST

Mr. MEADOR. We understand that fully.

If I might, I would also like to introduce Richard Dix, who is not at the witness table, but who is with us today. He is Chief of the Guaranteed Student Loan Analysis Section in the Office of Postsecondary Education.

Mr. Chairman, and members of this committee, I am grateful for this opportunity to appear before you to present the 1982 budget request for programs administered by the Office of Postsecondary Education.

The total request for these programs for fiscal year 1982 is nearly $6.9 billion. The student financial assistance account is the keystone of the postsecondary education request, totaling $6.4 billion. The focus is on need-based assistance to increase access to and equal opportunity in postsecondary education.

A highlight of the student financial assistance request includes a reform for the guaranteed student loan program. We are hoping to curtail rising program costs by targeting funding to those most in need of assistance.

In addition, approximately $422 million is requested in the higher and continuing education account to support a wide variety of programs in five broad categories. If I may, I will cite these briefly: $169 million for student services to help disadvantaged students to enter and complete postsecondary education; $209.1 million for program development activities, including strengthening academic institutions, expansion of cooperative education, and promoting international education; $15.5 million to provide support for graduate students in selected fields of study; $2 million for legal training for the disadvantaged, to increase the number of disadvantaged students who enter the legal profession; and $25.5 million to pay interest subsidies on construction loans made in prior years.

In other accounts, $15 million is requested for the higher education facilities loan and insurance and the college housing loan programs to pay insufficiencies on participation certificates sold in previous years.

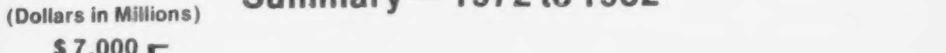
Finally, we are requesting authority to expend $1 million in foreign currency for educational, research and training activities overseas.

Each of these activities will be discussed in greater detail at these hearings. My staff has prepared tables which present an overview and trend analysis for these budget requests. You will see the summary of overview on the front table to your right.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

Summary -- 1972 to 1982



*INCLUDES TRANSITION QUARTER

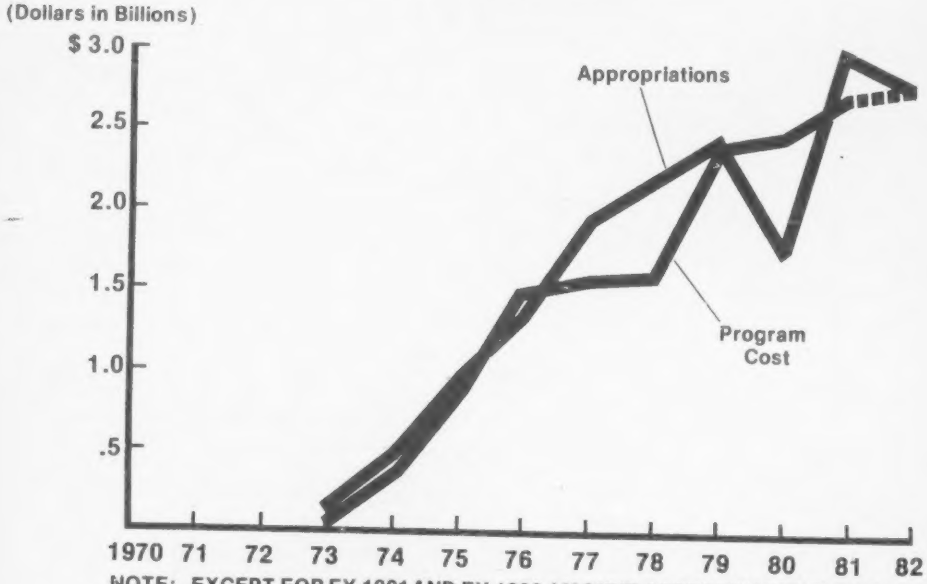
NOTE: OPE TOTAL INCLUDES TWO ACCOUNTS NOT SHOWN. EXCEPT FOR FY 1982, AMOUNT APPROPRIATED IS SHOWN. FOR FY 1982 AMOUNT REQUESTED IS SHOWN.

PREPARED STATEMENT

Mr. MEADOR. I appreciate the opportunity to appear before you and I request permission to submit my full statement for the record.

Senator RUDMAN. That has been granted.

[The chart follows:]



OFFICE OF POSTSECONDARY EDUCATION

Pell Grants

NOTE: EXCEPT FOR FY 1981 AND FY 1982 AMOUNT APPROPRIATED IS SHOWN. FOR FY 1981 A PROPOSED SUPPLEMENTAL IS INCLUDED. FOR FY 1982 AMOUNT REQUESTED IS SHOWN.

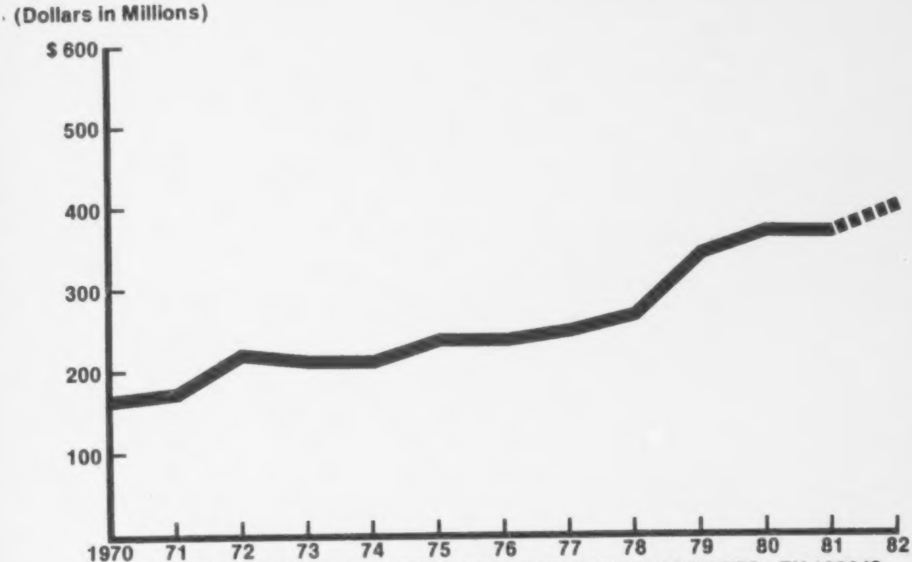
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

Mr. MEADOR. Under the supplemental educational opportunity grants, our request is for $400 million, an increase of $30 million over last year. This would enable us to support 633,000 grants, which would average $600 each.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

Supplemental Educational Opportunity Grants



NOTE: EXCEPT IN FY 1982, REFLECTS AMOUNT APPROPRIATED. FY 1982 IS AMOUNT REQUESTED.

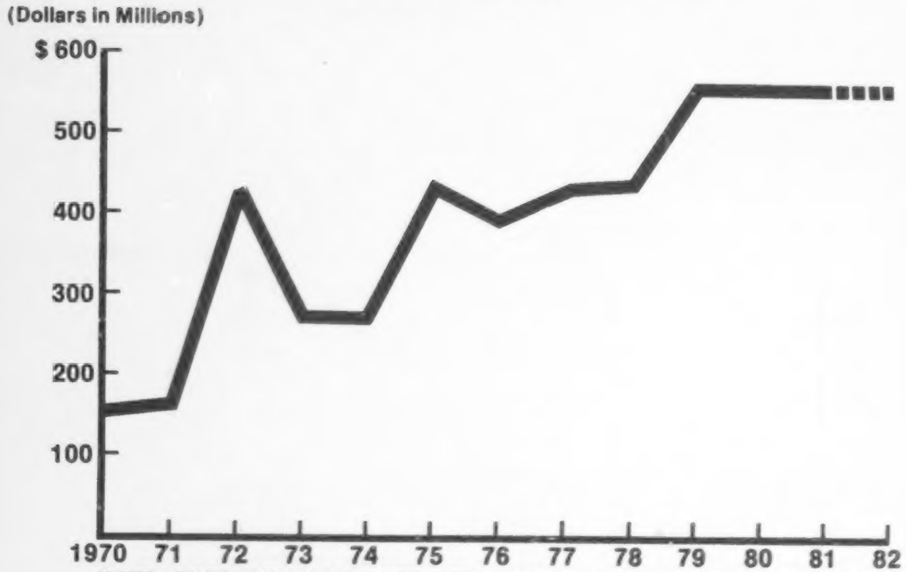
COLLEGE WORK STUDY

Mr. MEADOR. For the work-study portion of our request, the total we are seeking is the same as last year, $550 million. The aim is to enable financially needy students to finance a portion of their educational costs through part-time employment. This request will enable us to provide 986,000 awards averaging $600 scattered among the 3,200 institutions.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

College Work Study



NOTE: EXCEPT IN FY 1982, REFLECTS AMOUNT APPROPRIATED. FY 1982 IS AMOUNT REQUESTED. THE APPROPRIATION FOR FY 1972 WAS FOR AN 18 MONTH PERIOD.

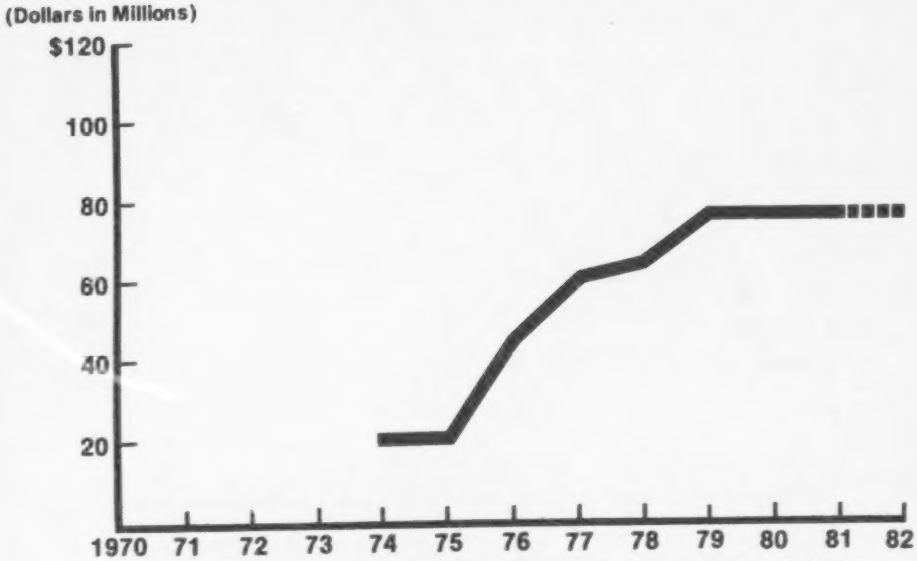
STATE STUDENT INCENTIVE GRANTS

Mr. MEADOR. In addition, we have a request of $76.75 million for State student incentive grants. As you can see from the chart, this is the same request as last year. The purpose is to encourage States to provide grants for financially needy students.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

State Student Incentive Grants

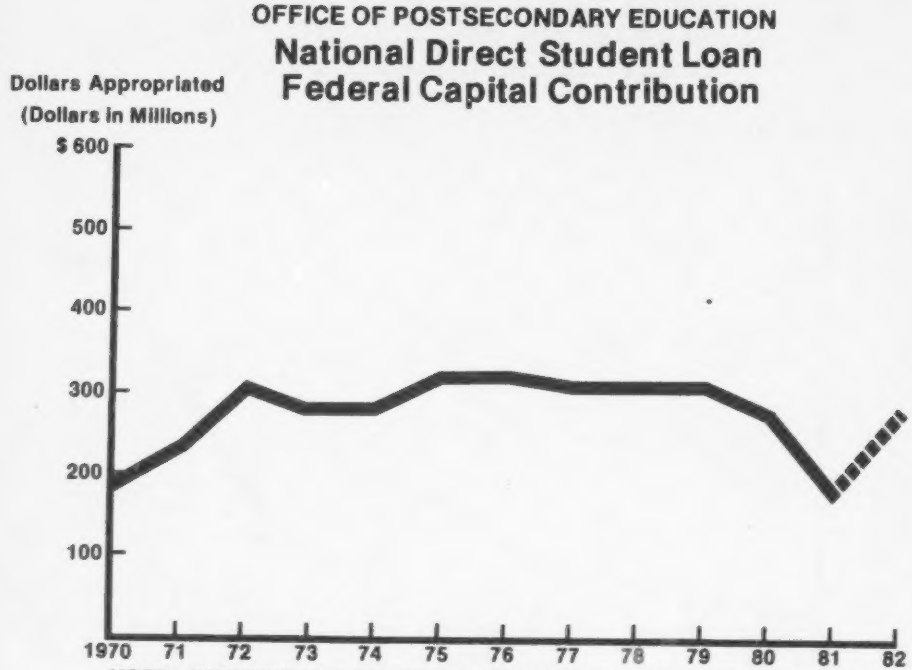


NOTE: EXCEPT IN FY 1982, AMOUNT APPROPRIATED IS SHOWN. FY 1982 AMOUNT REQUESTED IS SHOWN.

NATIONAL DIRECT STUDENT LOANS

Mr. MEADOR. We are seeking $286 million for Federal capital contributions for the national direct student loan program. Its aim is to support low-cost loans for financially needy students through a revolving loan fund administered by institutions of higher education.

[The chart follows:]



OFFICE OF POSTSECONDARY EDUCATION
National Direct Student Loan
Federal Capital Contribution

NOTE: EXCEPT IN FY 1982, AMOUNT APPROPRIATED IS SHOWN. FY 1982 AMOUNT REQUESTED IS SHOWN.

STUDENT LOAN INSURANCE

Mr. MEADOR. Under the student loan insurance program, we are seeking $2.3 billion for the guaranteed student and parent loan program. This represents an increase of $111.8 million over the revised 1981 level. These funds will assist students and their parents in meeting costs of attending institutions of higher education.

We call attention to the following proposed changes in authorizing legislation:

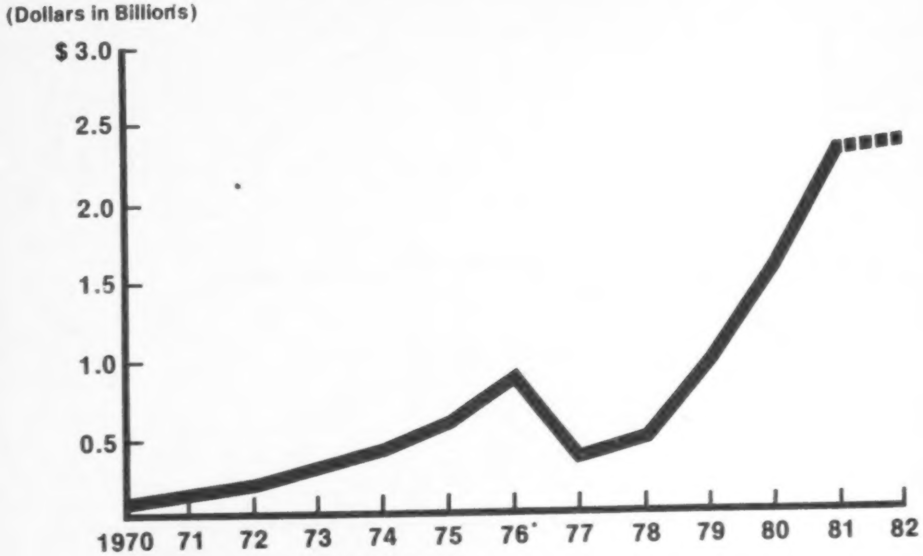
One, to limit the amount a student may borrow to remaining need; and two, to eliminate the in-school interest subsidy on student loans, and the special allowance on the parent loans.

In addition to the 1982 request, a number of supplementals and rescissions are requested for 1981. A supplemental request of $811 million for the Pell grants program would maintain assistance for financially needy students, cover the drawdown of approximately $258 million from the 1981 appropriation, provide $26 million for the 1981 institution support allowance. And there is a rescission of $79 million for the GSL program to reflect the cost savings provided by implementing these proposed program changes.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

Student Loan Insurance Fund



*INCLUDES TRANSITION QUARTER

NOTE: EXCEPT IN FY 1982, AMOUNT APPROPRIATED IS SHOWN. FOR FY 1982 AMOUNT REQUESTED IS SHOWN.

PREPARED STATEMENT

Mr. MEADOR. I have gone through this enormous amount of postsecondary education landscape in a very rapid fashion so that we will have maximum time to answer your questions.

I would request permission to submit the full statement for the record. And I thank you for your attention.

Senator RUDMAN. Without objection, that will be so ordered.

[The statement follows:]

STATEMENT OF EDWARD L. MEADOR

I appreciate this opportunity to appear before you to present the fiscal year 1982 appropriations request and 1981 suppplemental and rescission requests for the programs in the Student Financial Assistance and Student Loan Insurance accounts. The Student Financial Assistance programs have grown tremendously over the past two decades and represent nearly 40 percent of the Department's budget request for fiscal year 1982. These programs of grants, loans and work-study provided assistance totaling over $8 billion to students pursuing their postsecondary education during this past academic year. (This figure takes into account total loan amounts.) Much of the recent growth in these programs has been a result of the enactment of the Middle Income Student Assistance Act of 1978, which greatly liberalized the eligibility criteria for the Pell Grants and Guaranteed Student Loan programs. The impact of this is evident in the loan program where yearly loan volume has doubled in the past two years. The Federal costs associated with supporting this program have mirrored this growth.

We feel that these programs have clearly succeeded in assuring access to postsecondary education for all Americans, and that policy is continued in this budget request. However, we are also calling for the placement of limits on the guaranteed loan program, which as currently authorized goes far beyond the goal of assuring access and has grown prohibitive in cost.

Student Financial Assistance

The 1982 request for the Student Financial Assistance account of $4.1 billion, reflecting a decrease of $77.8 million from revised 1981 levels, will support five programs. These programs are designed to help eliminate financial barriers to postsecondary education by providing grants, jobs and loans to financially needy students.

Pell Grants

The cornerstone of student aid remains the Pell Grants (formerly known as Basic Grants). The budget request for this program is $2.8 billion, which would provide a maximum grant of $1,800 in academic year 1982-83. This funding level, which represents a decrease of $218 million from the revised 1981 level, would provide an average grant of $1,057 to 2,588,000 students.

To complement the Pell Grants program, our budget includes $1.3 billion for the Supplemental Opportunity Grants, Work-Study, State Student Incentive Grants and National Direct Student Loans programs.

Supplemental Educational Opportunity Grants

The 1982 budget request for Supplemental Educational Opportunity grants of $400 million, an increase of $30 million over the 1981 appropriation, will provide 633,000 grants averaging $600. In 1981, the maximum grant was increased from $1,500 to $2,000. As this program is administered at the campus level, this change has resulted in extending the option of the financial aid officer in tailoring individual student aid packages.

Work-Study

The request of $550 million for Work-Study, the same as in 1981, will enable financially needy students to finance a portion of their education costs through part-time employment. The Work-Study program supports up to 80 percent of student earnings with Federal funds. In 1982, an estimated 986,000 awards averaging $600 will be provided at 3,200 institutions.

State Student Incentive Grants

To encourage States to provide grants to financially needy students, the 1982 budget requests $76,750,000 for the State Student Incentive Grants program, the same as for 1981. These funds are matched by State funds for student grants and will provide an estimated 307,000 awards averaging $500.

National Direct Student Loans

Finally, the 1982 budget requests $286 million for Federal Capital Contributions for the National Direct Student Loan program. This program suports low-cost loans to financially needy students through revolving loan funds administered by institutions of higher education. These revolving funds are made up of Federal and institutional contributions, and collections from prior loans.

The 1982 request will support loans totaling $650 million to 914,000 students, with an average loan of $710.

An additional, $25 million is requested in 1982 to repay institutional loan funds for the cancellation of loans made under this program. Such cancellations are granted to borrowers who teach in specific areas or who serve in the military under special conditions.

Student Loan Insurance

The 1982 budget requests $2.3 billion for the Student Loan Insurance account for the Guaranteed Student (and Parent) Loan program, an increase of $111.8 million over the revised 1981 level.

Guaranteed Student (and Parent) Loan Program

This program assists students and their parents in meeting the cost of attending institutions of postsecondary education through the use of nonFederal loan capital by providing Federal interest subsidies and loan guarantees. The request of $2.3 million will provide $1.8 billion for interest subsidies and $493 million for defaults and other claims. The estimated total loan volume will be nearly $6 billion.

The current budget request proposes changes to the authorizing legislation to limit the amount students may borrow under this program to remaining need. In addition, it is proposed that the in-school interest subsidy provided on the student loans and the special allowance on the parent loans be eliminated.

1981 Supplemental and Rescissions

A supplemental of $811 million is requested for the Pell Grants program in 1981. This supplemental is required: to maintain assistance to financially needy postsecondary students; to cover the draw-down of $258 million from the 1981 appropriation; and to provide $26 million for the 1980 institutional support allowance.

A rescission is requested for the Guaranteed Student Loan program of $79 million to reflect the cost savings provided by implementing the proposed program changes.

In summary, the 1982 request for the Student Financial Assistance and Student Loan Insurance accounts continues the Federal commitment to promote equal educational opportunity by removing the financial barriers for those who aspire to continue their education beyond high school. This combination of grants, work-study and loans will assist a substantial portion of the Nation's postsecondary students.

My colleagues and I will be happy to answer any questions you may have.

LEGISLATIVE PROGRAMS

Senator RUDMAN. It seems to us that in spite of the fact that we don't have the hard facts we need to ask as many questions that will be as meaningful as they probably ought to be, that our questions to you today to a large extent should be based not so much on what you presented here, but to some extent on what we believe may be the areas of movement, if you will, with the legislative programs that will be coming to the Congress in the next several weeks.

And I would like to ask you, Mr. Meador, to have your panel feel free to answer these questions. Call on any one you wish. I am not sure who should answer some of these questions. I expect you are a better judge of that. So we would like to do it in that way.

Mr. MEADOR. Thank you, Mr. Chairman.

IMPACT OF GSL CHANGES

Senator RUDMAN. We understand the administration will be seeking a number of legislative changes. Now they are planning to change the guaranteed student loan program along the lines proposed in the original Carter budget. Among these the Department is proposing to eliminate the in-school interest subsidy.

At present, if a student takes on a 9-percent student loan, the Government pays the interest on the loan while the student is in school and then for a short grace period thereafter.

AVAILABILITY OF LOANS

The first question is: What impact is this going to have on the availability of loans?

Mr. MEADOR. If I may, I would like to call upon my colleague from the Student Financial Assistance Office to respond to questions.

Senator RUDMAN. Please do.

Mr. MOORE. Mr. Chairman, let me begin by saying we are still in the business of trying to measure the impact. But, let me take a couple of minutes to describe the process that will have to be undertaken by the colleges and the State guarantee agencies if this change is put in this summer.

No. 1, it is important to recognize in all of the history of the guaranteed loan program, with the exception of a brief period in 1972, there has never been a need test applied with respect to the amount of the loan.

What we are proposing here is not only to eliminate the interest subsidy, but also to require the colleges and universities to determine under the remaining need concept how much of a loan the student would require after one has taken full cost, subtracted the amount parents can contribute, and have subtracted any other aid from these programs that Dr. Meador mentioned; the State grant program, private foundation support, institutional support, and so on.

It will require a rather rapid change in process in late spring in order to have these changes put in place by July 1.

With respect to withdrawal of the interest subsidy, the problem here is to see to it that the lender and the student work out an appropriate arrangement, either for the accrual of the interest while the student is in school with subsequent capitalization, or an addition to his loan principal, or some other method by which the student makes serial interest payments while he is in school.

The latter system we are informed by the banks runs their costs up because it involves billing, receipt of money, and consequent credit to the student account.

Under the accrual system, the bank is denied the use of funds for the period of time the student is in school. However, there is a higher yield on the loan during payout, because loan principal has actually been increased.

In the early years of the program we had both subsidized and nonsubsidized loans. Our experience was that banks were generally reticient about making very many nonsubsidized loans in those early years because of the administrative problems with interest collection.

However, because of the volume that must be maintained, we think that this time there will be ways that the lending community and the student can accommodate to the payment of interest.

Senator RUDMAN. So if I understand your answer correctly, you think to sum that up, although it may have some effect on availability, you don't think it will have a major effect on availability?

Mr. MOORE. It is hard to predict at this point. The demand will certainly be there as far as students are concerned. There will be, obviously, some constraining of the amount of loans because of the need analysis and the volume clearly is going to go down. But just how much is hard to say.

IMPACT ON THE VERY NEEDY STUDENT

Senator RUDMAN. I welcome Senator Specter's appearance.

Senator SPECTER. Thank you.

Senator RUDMAN. I think it leads to another question which you have to address following your answer, and that is, of course, what about the very needy students who have enormous problems with their education.

This program has been initially designed—most of these programs when they started—for that student. They have grown into something else.

What do you say to a very needy student who is working almost full time to support himself, and now is going to have to pay interest, possibly, on these loans on an ongoing basis? Do you see any way to approach that under the program that you understand is coming down that could, in fact, shelter those who are truly the ones in need of shelter, who need education, but who truly don't have any ability whatsoever to meet those kind of ongoing interest payments?

Mr. MOORE. Mr. Rudman, if by truly needy you mean the student who doesn't have any resources to meet educational cost, he would be brought into this financial aid system through the other programs rather than GSL. For example, he would undoubtedly qualify for a Pell grant. On top of that there are work-study, NDSL, SEOG, State grants, plus institutional grant funds available within the institution in order to put together what we call a financial aid package.

Now, for a truly needy student in a very, very high cost private school where the bills today can run $8,500 to $9,000, it might well be necessary to finish out that package with a guaranteed loan. But, before you ever get to that guaranteed loan—because it again by law is limited to $2,500 a year—these other programs could and will probably be brought into play.

ELIGIBILITY FOR PARENT LOANS

Senator RUDMAN. It's our understanding that the administration endorses the change proposed in the fiscal year 1982 Carter budget that would eliminate payment of the special allowance for parent loans, thereby raising the cost of these loans from 9 percent to the market rate. However, the administration is not recommending the Carter proposal to broaden eligibility for the parent loans, the parent of a dependent graduate student, or spouse of independent student, is our understanding of that.

I would like to know if you know how to explain the apparent difference, why the administration is, in fact, supporting one proposal but not the other?

I may not have the best witnesses for that answer today, but I expect we will at some time.

Mr. MEADOR. I would like to refer this to Mr. Dingeldein.

Mr. DINGELDEIN. I think it simply reflects the perception of less need in terms of the graduate student. Many graduate students or independent students, in any event, would be able to borrow remaining need under the program as a student. And so there will not be as many situations where they are dependent on the parent for that kind of assistance.

REASONS FOR OPPOSING BROADENING OF ELIGIBILITY

Senator RUDMAN. Well, really the main question here, if you know, Why does the administration oppose the broadening eligibility for these parent loans, since my understanding is these loans in no way are subsidized by the Government, and there would be little or no cost to the Government?

Why the resistance to broadening the eligibility?

Mr. DINGELDEIN. There is still a cost, because in the long run there are associated default and death and disability payments and administrative allowances, even though there is no interest subsidization.

And, of course, on the average, parents do not live as long as students. Because of this, costs could become substantial in the out-years. But more basically, the administration is trying to tighten up on eligibility under GSL. And I think in this case we felt that broadening the parent loan was going in the wrong direction.

FAMILY CONTRIBUTION

Senator RUDMAN. I am not sure—I hear what you are saying. I am not sure I understand the answer.

If the major objective, which I can agree with, is to decrease the total Government commitment, if you will, total independent commitment to these programs, it seems to me that if on the other hand there is a way to broaden eligibility to parents, spouse of an independent graduate student, that will have minimal cost to the Government, that that is something that ought to be encouraged, not discouraged.

In other words, we ought to not close off one avenue without in some way attempting to open others.

I just say that to you for your consideration.

Now, another proposal recommended by the Carter budget, and accepted by the new administration, is one to limit loans to remaining need after all other financial assistance and expected family contributions are calculated.

I would just like to know for the record, and for my own purposes here this afternoon, how is the expected family contribution calculated?

Please be specific, and provide for the record all the forms you know that you use to calculate. And I suppose that you ought to know when I ask that question that I would really like to know that on a very personal basis, having almost gotten through putting children through Dartmouth and Bowdoin simultaneously for the last 7 years. So I would really like to know how family contributions are calculated.

Mr. MEADOR. Mr. Chairman, as a comrade in that venture with two children of my own in postsecondary institutions, I can appreciate your personal interest. We will supply the complete answer for the record.

Senator RUDMAN. We would like to have that.

[The information follows:]

CALCULATION OF FAMILY CONTRIBUTIONS

Eligibility for a Pell grant is based on the financial strength of the student and his/her family. To measure this financial strength a standard need-analysis formula is applied to the information reported on each application.

The eligibility formula measures the two main components of financial strength: income and assets. It also makes allowance for factors that affect income, such as the basic subsistence expense needed for food, shelter, and other family needs; for U.S. income taxes, unusual medical expenses, the extra expenses incurred when both parents work or when there is only one parent in the household; and for the expenses incurred for family members in postsecondary school, as well as for those in private elementary or secondary schools.

Additionally, the formula also protects a portion of the family's assets from any assessment. Further, since income is such an important part of a family's financial strength, the formula provides that, if these allowances exceed the income, the family's assets will be assessed to a lesser extent in order to compensate for the income deficit. However, any asset value beyond these allowances is measured, since a family with equity in an asset has the option of borrowing against that equity, an option another family may not have.

Two brochures are provided to the committee for its information which provide complete details of the formula indicating how family contributions are calculated.

IMPACT OF PROPOSED CHANGES

Mr. DINGELDEIN. Mr. Chairman, the short answer, however, is that the need will be determined as it is under other Federal student aid programs. In other words, we would be using, basically, the same need analysis system.

Senator RUDMAN. What I would like to have if you will, are some specific examples for the record, with various income levels and so forth, submitted for the record, so that we will be able to discuss those amongst ourselves and understand in very real terms.

We can talk about these abstractions, but I want to see what happens with a family earning $21,000 a year with two kids in college, how that is all calculated. I want to see it in rather specific ways so that we can determine for our own information whether or not we think the calculation for need is reasonable. So, I'd appreciate it very much if you would supply that to the committee.

[The information follows:]

Calculation to determine a Pell grant during the 1981–82 academic year for a family of four, both parents working, with two children in college:

Family income = $21,000

Adjusted gross income	$21,000
Family size offset	−7,700
	13,300
Employment offset	−1,500
	11,800
Federal income taxes	−872
	10,928
Tax rate	×10.5
Expected family contribution if one child in college	1,147
Expected family contribution, per child, if two in college	803

Each student in the family will receive a Pell grant award of $947

The above calculation assumes that the two students will attend schools which cost $2,500 or more. If students attend lower cost schools, awards will be affected by the half cost limit and self-help provision. The above calculation also assumes that the family will have net assets which do not exceed $25,000.

REDUCTION OF LOAN VOLUME

Senator RUDMAN. I guess the other question in that area is, how much is this proposal to limit loans to remaining need expected to reduce loan volume?

Mr. DINGELDEIN. Mr. Chairman, we did make some estimates. We can't, however, sort out just the impact of just that one change. But, in terms of the overall impact of the proposal, our estimates show that it would reduce volume in 1981, from about $6 to $4.2 billion. That would be a reduction of $1.8 billion.

And, in 1982, volume would be reduced from $7.3 to $3.4 billion, or a reduction of $3.9 billion.

But that reduction would be the result of the interactive effect of limiting loans to remaining need, and the elimination of the in-school subsidy, and taking into consideration, also, the willingness of lenders to make loans.

Senator RUDMAN. I think as we leave this general area of questioning, I would just like to say to you on the record is that to the extent that your Department can give to this committee full and complete and specific, with explanation-type data, the better we will be able to examine these programs. I can tell you from my own experience that the number of people in my State with extraordinary concerns about what they read—it is probably the No. 1 concern that I have had expressed to me. And these are not people who I would characterize as being at the poverty level, although I think they probably think they are, having multiple enrollments in high-cost institutions.

I am going to yield to Senator Specter.

GENERALIZATIONS ABOUT FAMILY CONTRIBUTION

Senator SPECTER. Thank you, Mr. Chairman.

I concur in the chairman's expression on requesting the details with specificity. But, I would be interested to have some generalizations now as to how they are calculated.

Considering the vast volume of written materials which pass our desks, the difficulty of revisiting this issue, I would be interested to know what you can tell us at the moment.

Mr. MOORE. Mr. Specter, the system for developing estimated family contributions is about 25 years old. It was begun in the 1950's primarily by a group of private colleges, including Dartmouth and Bowdoin, and a number of other schools in the Northeast, who were faced with the problem of allocating their own scholarship money among a number of families.

The real question to be answered in each instance, was how much can this family be reasonably expected to pay toward the cost of college attendance.

The way the system works, very basically, is that it begins with a gross family income. Set against it are certain offsets and certain elements of income that are protected based on family size, unusual medical expenses and that sort of thing. We arrived finally at a figure that is called discretionary income, which refers to income the family can elect to spend, apart from its basic expenditures for housing, food, clothing, and that sort of thing.

Senator SPECTER. Can you tell us at what point a family of four has discretionary income?

Mr. MOORE. We'd have to begin with a gross income. Let's say, $25,000. Discretionary income would be just as a rule of thumb, right around $10,500.

Senator SPECTER. A family of four has discretionary income at $10,500 gross income?

Mr. MOORE. No; of a $25,000 gross income, the system would segregate out about $10,500 and call it discretionary.

Against that is applied a tax rate.

Senator SPECTER. You say a tax rating?

Mr. MOORE. A tax rate, or assessment rate, if you will. The system called the uniform methodology starts with a 22-percent assessment rate applied to zero to $6,000 of discretionary income. Then the rate goes to 29 percent.

Let's say in this instance, the assessment rate that is being used is 29 percent against $10,000 of discretionary income. That family would be expected to give $2,900 toward the cost of education out of a gross income of $25,000.

Now, take the $2,900 and set it against the budgeted cost of attendance, whatever that may be—in Bowdoin it will be $8,000 or $9,000 a year. Obviously there is a big gap between $2,900 and $8,000, and that gap is what we call financial need. That gap has to be made up through a combination of work, loans, and grants. And clearly, the wider the gap is, the more the student must rely on loans, because there just isn't enough grant money around to fill that kind of need.

Now in public institutions the cost will be less. The same family with $2,900 at, let's say the University of New Hampshire might only be facing a $4,000 budget, in which case the need is $1,100. The student comes in, and the institutional aid officer might say, we will have a work-study job for you that will pay $800 a year; there is a $300 grant that goes to students that come from the township of Lebanon, N.H., something like that. That makes up the package for the rest of the year.

Now, you multiply that by, let's say, 4 million students who are receiving aid of various kinds all over the country with costs up and down among some 6,700 institutions, and you begin to appreciate what the financial aid person must do in the college, which is to translate all those big dollars down to a package of dollars for each one of many students.

I've gone through this explanation very hurriedly, and I will send you more detailed information, including forms and computation manuals on the whole system.

REALISM OF EXPECTED FAMILY CONTRIBUTION

Senator SPECTER. In the example you give, income of $25,000 for a family of four, you are saying there is discretionary income in the amount of $10,500. You calculate $14,500 as necessities?

Mr. MOORE. Right.

Senator SPECTER. Is it your judgment that that kind of a calculation is realistic and reasonable?

Mr. MOORE. My figures may be a little off because I am calling them up from the back of my head.

Senator SPECTER. But you are in the ball park?

Mr. MOORE. But that's close. Yes, it is.

The notion behind the whole need analysis system was that once the basic necessities of maintaining a family are taken care of, the family's next prime responsibility is managing their fair share of college costs.

Senator SPECTER. Your calculation is that you can take care of a family of four for $14,500?

Mr. DINGELDEIN. For that purpose we are using Orshansky formula for what it costs to meet the basic expenses of families. It is not something that we have just put together on our own. We are using other Government data.

Senator SPECTER. How often is that data adjusted?

Mr. DINGELDEIN. It is adjusted annually.

Mr. VIGNONE. Annually.

Senator SPECTER. My pending question is whether you think it is realistic? If it is Department of Labor statistics, you don't have to defend it so vigorously, necessarily?

Mr. MOORE. Senator Specter, the major financial need analysis system that is used in the country today, apart from the one in the Pell grant program, which is directly controlled by law, is known as the uniform methodology. It represents the combined thinking of the service agencies whose job it is to put these systems together and manage them for the colleges, plus the participating colleges, and the Federal Government.

There is an organization which today is called the Coalition for Student Aid, that reviews this whole process every year and sees to it that appropriate changes are made in the system to keep it current with economic changes, and to keep it consistent with this underlying precept that the family has a primary responsibility to pay for the cost of college.

Mr. DINGELDEIN. Senator Specter, I would like to add, also, that many of the basic elements in the need analysis system are actually in the statute. They have been prescribed by the Congress, and even the percentage that a family's discretionary income should be taxed is in law. So, this system is scrutinized very closely by the Congress.

And those elements of it that are discretionary are published in regulations that are reviewed annually by the Congress.

Senator SPECTER. Well, my question still pends. Do you think it is a reasonable system?

Mr. MOORE. Yes; I think the system is reasonable. It has worked well for a long time.

As a matter of fact, in my judgment its existence in the 1950's, enabled the Congress to legislate the national defense education student loan program and put a needs test in it, because the methodology and the system was already at work in a large number of the Nation's colleges.

Mr. DINGELDEIN. If I may, I would like to add one qualification.

We think it is moving in the direction where it is requiring less and less of a family each year. One of the proposals of the new administration is to increase the amount that the family would contribute from this discretionary income.

There is a sense, through changes in the law, that we are asking less and less of a contribution from the family, and less and less of the student toward educational costs. The new administration's budget and legislative program is trying to restore a balance in this area and to keep the family and the student responsible for some of these costs.

REPAYMENT OF STUDENT LOANS

Senator SPECTER. Mr. Chairman, I have one other question. You may have covered it before my arrival. That is the experience on repayment of the student loans. What has your experience been?

Mr. MOORE. We have two major loan programs, the national direct student loan program, which is in its 23d year, and the GSL program.

The net default rate in the national direct student loan programs is 16 percent. In the GSL program, the net rate is now 5.9 percent.

Senator SPECTER. How do you account for the differences, which are rather marked in those two default percentages?

Mr. MOORE. Sir, they are.

In the NDSL program, which began in 1959, colleges had no provision under law until the mid-1970's for writing off bad debts. So, from program's inception until the mid-1970's, all of the really bad loans—those that had been put through the collection agencies and in some cases, gone through litigation—simply accumulated in colleges and towns.

When that happens over a particular period of time, one winds up with a very heavy default rate.

The GSL program is of much more recent vintage. And there, because during the early 1970's it was necessary for us to buy a number of claims from banks on loans that were insured, we have mounted a very heavy and broad-gaged collection program which, together with work with the lenders and the State guarantee agencies, has kept that default rate down.

The colleges are gradually turning the NDSL default rate problem around. I must say that in my view they have done an incredible job in the last several years.

There are some institutions whose default rates are still unmanageable apparently by them. We have had to stop the allocation of new Federal loan capital to some colleges, over the last several years, simply because they did not fall into compliance with our due diligence regulations for collecting loans.

Senator SPECTER. Thank you, very much.

PELL GRANTS

Senator RUDMAN. I want to move on to the Pell grants now, and ask a few questions for the record about those.

Since the inception of that program, this committee, according to its records, has had to cope with some rather inaccurate estimates of BEOG costs. In 1980 for instance, the administration recommended a deferral of $140 million for the program. The Appropriations Committee chose to rescind the budget authority rather than defer it.

And then the latest estimates show that the program needs to borrow $258 million from its fiscal year 1981 appropriation in order to meet its full fiscal year 1980 costs.

I suppose this means that the Department's estimates for 1980, without the rescission, are off by $118 million, and with the rescission they were off $258 million.

I guess the first question is, Why did you recommend a deferral or eventually here we had a rescission of the fiscal year 1980 funds?

Mr. VIGNONE. May I take that?

I am specifically charged with putting together a computer cost estimation model for projecting program costs in out-years. And I have learned that those of us who live by the crystal ball very quickly learn to eat glass.

But, let me say, Senator, that I take that job very, very seriously, and I believe that I have done what scientifically, what technically can be accomplished in terms of producing accurate cost estimates for the out-years.

To understand the basic process, I take a look at application trend data that is coming in, take a look at enrollment trends, et cetera. And I have constructed in reality a series of cost estimation models. When I discerned a particular model needed some updating, needed some revision, in addition to those activities which I and my staff undertake, I have also made it a point to submit the results of my research and my methodological algorithms and whatnot, to project those costs in out-years to peer review by not only staff of the Congressional Budget

Office who meet regularly with me; but also staff of the Congressional Research Service who also meet regularly and who are members of an informal technical work group on estimates. And in essence, we all agree on the numbers.

They have their own separate modeling techniques and devices and systems. So there is general uniformity as to what the estimates will be in some out-year.

Then, some things happen. We make those estimates based on what we perceive to be policy, both legislatively enacted program parameters and those we feel the administration will pursue where the administration does have some discretion to raise or lower an assessment et cetera, and we produce these estimates.

And where there is some variance, that variance has generally been in terms of some economic assumptions. We get ours from the OMB macroeconomic models. CBO gets those assumptions from the congressional budget macroeconomic model.

The bottom line, without going through much further discussion is that when we make those estimates, they are made on the best available data.

The program parameters then change at some point, and it is in that process where the change is based on some change in taxation rate, or lowering of a grant amount, or raising of the maximum of a grant amount, that those missed estimates occur, essentially.

Senator RUDMAN. That answer which I understand, reminds me of somebody's definition of an economist. That is someone who is never right, but never in doubt. [Laughter.]

Mr. VIGNONE. I can understand your feeling on that, Senator. But I have to go back again to say the best minds in this town, who are looking at that research, have access to my procedures and my data and my assumptions.

Senator RUDMAN. I guess what you are really saying is, that with the best minds and the best computers in the whole Government, we still are taking a kind of wild guess.

Mr. VIGNONE. Because some exogenous factors occur.

Senator RUDMAN. What kind of factors?

Mr. VIGNONE. Some factors which are outside the scope of the modeling techniques.

For example, a drastic change in the inflation rate from that which we assume it to be when we make the projection, will alter the actual program costs when we reach the year—for example, now I'm making projections for 1982. That projection has an assumed inflation rate. If that should turn out to be other than what I have assumed, or what the economists from OMB, CBO, et cetera project it will be, then obviously the discretionary income that Mr. Moore referred to will be different.

If that is different, the grants become different.

Senator RUDMAN. It would just seem to me, knowing what we are going to be dealing with in the subcommittee, to the extent we can use pessimistic assumptions in the future, we might be better off.

Mr. DINGELDEIN. Mr. Chairman, one of the exogenous factors that Mr. Vignone is talking about may clarify this a little more.

The underestimates in both 1980 and 1981 have a lot to do with the passage of the Middle-Income Student Assistance Act, which greatly expanded the eligibility for Pell grants.

The problem is that even with a good technical model, when you have a newly eligible population it is difficult to estimate. And our problem, the reason for underestimating, is that we were not able to predict the change in the eligible population as well as we would have liked to.

I think what Joe is saying is, if the program would stay stable in terms of its legislative provisions and other policy considerations, the estimating process would be relatively simple. But it is a constantly moving target in which the Congress and the administration is making changes. And that is where we get into difficulty.

CHANGING PELL GRANT DISTRIBUTION

Senator RUDMAN. Just to follow on then on another side of that question, it appears over recent years that the number of low-income applicants for these BEOG grants is declining, while those middle and upper income are increasing.

Can anybody tell me why?

Mr. DINGELDEIN. One reason would be the Middle-Income Student Assistance Act, which brought in large numbers of middle-income families.

Senator RUDMAN. What year?

Could you put your graph back up, because that is the one I am leading up to.

Mr. DINGELDEIN. That was passed in 1978. I think the first year of impact was 1979.

Mr. VIGNONE. The first year in which the basic grant program was affected by the Middle-Income Student Assistance Act was fiscal 1979, which is academic year 1979–80.

Senator RUDMAN. It would appear the impact of that legislation was not accurately forecasted?

Mr. VIGNONE. No; it was not.

What you are looking at there is the difference between appropriations and program costs in the 1978 year. Again, to fall back on one of those exogenous factors, the 1978–79 year was the first year in which the program adopted the multiple data entry process in which a number of the private needs services transmitted data to our central processor. There were some kinks in that system; there were some data transmission problems; problems with the forms design; and the coordination of those forms designs from the various private agencies.

That was also the first year that we instituted preaward validations, and a lot of kids got caught up in that process. What happened, Senator, was that in 1978–79 the system rejected a whole pool of students which we call our reject pool. As I recall, the reject pool at the end of the year was in excess of 500,000 students. That's 500,000 kids who never got through the system, and to a large extent that is the reason why the estimate is at variance with the program costs that we actually experienced.

SOCIAL SECURITY STUDENT BENEFITS

Senator RUDMAN. That leads me to my next question.

The administration is talking about eliminating the social security student benefit. That could mean, of course, it could have a considerable increase in the number of people who are going to now apply for the Pell grants and the SEOG grants. Certainly that now introduces another factor, what you like to refer to as exogenous and I refer to as wildcards, into the whole system.

What are you doing to anticipate that? And, what impact do you think it is going to have?

Mr. VIGNONE. There are various proposals that I have heard of with regard to the elimination of that social security benefit.

First of all, let me take a step back and say even though students now receive social security benefits, they are still eligible for the basic grant program.

Senator RUDMAN. We understand that.

Mr. VIGNONE. But the impact would have to be measured in terms of exactly what the proposal is. And I must admit I am not totally certain as to what that final proposal is.

Mr. DINGELDEIN. Mr. Chairman, the proposal is to eliminate new beneficiaries under the program, and to reduce the benefits to the existing beneficiaries by 25 percent each year.

We have estimated that the cost to the Pell grant program from that change would be $41 million in 1981, and $56 million in 1982. And those amounts are within the revised estimates of the new administration's request.

Senator RUDMAN. How did you derive that information?

Mr. DINGELDEIN. I don't have the details, but we can supply them for you.

Senator RUDMAN. Let me ask you this: Has anybody got in contact with the Social Security Administration and asked them to give you the data as to how much they are paying out?

That would seem to me to be a pretty basic way of doing it.

Mr. DINGELDEIN. That's right, that's how we did it.

Senator RUDMAN. And those figures are derived from that?

Mr. DINGELDEIN. Yes.

COLLEGE WORK-STUDY PROGRAM

Senator RUDMAN. I think in terms of time, and to try to move through this hearing this afternoon, I want to move on to the work-study program, if we could for a moment.

Some States use that. This particular work-study program is something I am very familiar with, as to how it is used in my State. I know our chairman is very familiar with how it is used in New Mexico. They depend very heavily on it to finance student education in a number of States, more so some than others.

I want to know what special allowances does the distribution formula for college-work studies, SEOG's, national direct student loans, permit for special needs in particular States. And if you could be specific, I would appreciate that.

Mr. MOORE. By special allowances, Senator, do you mean special conditions?

Senator RUDMAN. Special economic conditions, other special conditions which might make work-study much more useful in some States than possibly in others.

Mr. MOORE. Those three programs; work-study, NDSL, and SEOG we refer to collectively as campus-based, since they are operated by colleges. First of all they have within each statute, a set of very specific rules which govern the way in which funds are allocated, first to the States and then to institutions which participate in each program within the State.

These formulas in the law, some of which are very old determine how the allocation of funds is made. Actually, 90 percent of each year's appropriation must be run out according to the statutory formula. The other 10 percent is allocated according to data that is derived under our fair share system on each year's application for money.

That system is responsive only to the precise changes and costs and enrollment size within institutions. In each of these programs we have a continuing system of reallocating funds during the year, because given the size of the participating pool and the amount of money, the used rate is not 100 percent. When this reallocation is done the real allocation is provided in the law.

We do have in our regulations, a set of criteria including natural disaster and special requirements of institutions in the State which will allow us mid-year to reallocate such funds as are given up by schools that have earlier had the money pledged to them.

That's about as responsive as the system is right now to, I think, your question about special conditions.

Senator RUDMAN. My understanding is the amendments of 1980 changed the population base as to the amount of allocation to the States. And that is the graduate enrollment is out, and now it is basically an undergraduate enrollment.

Have you measured what the impact of that might be amongst various States?

Mr. MOORE. No, sir; we haven't yet, because these programs are 1 year forward-funded. And the 1980 amendments will not have any discernible affect on allocations until we get into 1982, 1983.

Senator RUDMAN. I expect we would like to know an answer to that when you do have the information.

Mr. MOORE. We will be up here and report to you, sir.

JOB LOCATION ALLOWANCE

Senator RUDMAN. I wonder if you, or someone here in your panel could tell us something about the budget justification for, I guess it is around $47 million of the total $550 million in the work-study program, that so-called job-location allowance.

Can you tell us how those funds are used?

Mr. MOORE. Yes, sir.

That is a provision which was put into the law in the 1976 amendments. It provides for withdrawal by the college from its annual allocation of money, of an amount originally not to exceed $15,000—but amended in 1980 to $25,000—for use by the college in operating a job-locater program.

The idea was to expand the business of locating part-time employment for students in the private sector and areas off campus.

The statute also provides for consortium arrangements among a number of colleges located in the same geographic areas so they can pool their funds and thereby put together an integrated staff and proceed on an areawide basis.

I will provide information about the results of this effect; it has begun to develop jobs for many students.

[The information follows:]

College Work-Study Job Location and Development

For the 1978–79 award year, a total of $2.790,000 was expended which included a Federal share of $1,395,000. A total of 47,400 students at 215 institutions participated and had subsequent earnings of $70,017,000.

COLLECTION OF NATIONAL DIRECT STUDENT LOANS

Senator **Rudman**. I want to move on to national direct student loans and some of the collection procedures that are under that particular program.

It is my understanding that when the education institutions return some of those accounts for collection to the Government, if the Government does collect, 80 percent of the funds are then returned back to the colleges' revolving funds.

Is that correct?

REFERRAL OF NATIONAL DIRECT STUDENT LOANS

Mr. **Moore**. That is true if the loan is referred to us for collection.

Senator **Rudman**. That's what I'm saying. If it is referred to you.

Well, let's make a distinction. If it isn't referred to you, do you take it over of your own volition?

Mr. **Moore**. If it isn't referred, then it is assigned to the Secretary. The school gives up all of its rights and so on under the obligation.

Senator **Rudman**. I'm just wondering whether or not that policy might not be better in the second instance than in the first, because to some extent I expect you might say there is a disincentive to the schools to aggressively pursue the policy if they turn over 80 percent of its return to you.

Mr. **Moore**. Except that 80/20 is a little better split in terms of moneys collected than what schools would experience with a commercial collection agency where it is more likely to be 65/35 or 70/30.

Senator **Rudman**. Is that your primary reason for doing it that way?

Mr. **Moore**. We set this up the year before last after such authority was put in the statute we have not had a lot of experience with it. There are not a lot of referred loans in the system as yet.

Senator **Rudman**. My experience with small colleges and universities, of which I have some—having been chairman of the board of a young college for about 15 years—is that they tend to not do very well at collecting these kinds of obligations. They really don't know how to do it. It tends to be something that is somewhat uncomfortable for the administration to do; it is not considered good form. There is some discussion amongst people in administration that it really ought not to be an educational instutution's business to be in the loan-collection business. Which is understandable, but wrong.

What has your Department done to give training, incentives, instruction, programs to these institutions around the country. I'm not talking about the big ones. They know how to do it. I'm talking about the institutions where a great deal of this money is lost, the smaller institution.

HELPING INSTITUTIONS COLLECT ON LOANS

What have you done to make them better capable of collecting these funds themselves?

Mr. MOORE. Beginning in about 1969, in concert with the National Association of College and University Business Officers, we developed training seminars on collections and have operated them every year since then.

We have developed collection manuals and accounting manuals which have been distributed to all of the institutions. We have written regulations to support and endorse the use by colleges of commercial collection funds.

In short, we have attempted in any way possible to enhance the ability of the institution to collect.

The point you make, sir, is true even after 23 years. There are institutions that are still hesitant about forcibly pursuing collections even though they have managed the fund since 1960.

On the other hand, there are a number of institutions in this country whose default record would be the envy of any bank or savings and loan association across this land.

I know schools in the Midwest with default rates of 1.2 percent, 2 percent, and that sort of thing. It varies, depending upon the location of the school, its setting, the makeup of the student body, and so forth.

USE OF COMMERCIAL COLLECTORS

Senator RUDMAN. When you collect them out of your own agency, do you turn them over to commercial collection agencies to collect for you?

Mr. MOORE. We do have collection contracts which we have run on a pilot basis over the last couple of years, as well as the large collection force in the GSL program which I mentioned earlier. We are integrating the NDSL accounts with the GSL system. We have now on hand about 250,000 NDSL accounts, all of which have been for the most part assigned to us and have already been worked by collection agencies in the private sector at the behest of the colleges.

IRS PARTICIPATION IN COLLECTIONS

Senator RUDMAN. At the risk of making an outrageous suggestion, has anyone ever considered turning them over to the IRS? They do very well.

Mr. MOORE. We have had discussions with the IRS for many years, and we haven't ever found much desire on the part of our friends in

Treasury to collect debts over here. They say they have enough of their own to worry about.

Senator RUDMAN. Well, it is something the committee might just want to look at.

It is rather interesting. Letters from the IRS asking people to make payment, kind of get attention.

Mr. MOORE. We have been, for years, using the IRS as our basic skip-trace source when borrowers are not to be found. In fact, we have been operating for the colleges participating in NDSL virtually a free skip-trace service. If the college will give us names, social security numbers, and last known addresses, we cycle it through IRS and send the information back to the school.

STATE STUDENT INCENTIVE GRANTS

Senator RUDMAN. Thank you.

Let me ask a very brief question on the State student incentive grant, SSIG. They have been a success. All of the States and territories have programs.

It is interesting the States not only are matching them, but overmatching them by a ratio, according to this information, of 11 to 1. That being the case, successful performance, do we need continue this program of Federal help? What is our justification for asking for further funding for that?

Mr. MOORE. It is true in the aggregate they are overmatched. But, if one looks at this program on a State-by-State basis, you will find the bulk of the overmatched money is in the hands of a relatively small number of States. These tend to be the large States that developed their own State programs back in the 1950's and have continued to operate them: California, New York, Pennsylvania, and Illinois, are examples.

A number of States that have recently set up programs have only the SSIG operation with State matching, and that is all. So there is an unevenness across the country.

SUBMITTED QUESTIONS

Senator RUDMAN. I have a few more questions that I would like to ask of the panel before we wind up the hearings.

You have, as you know, Dr. Meador, a number of questions the staff has submitted to you for the record, which when you correct the transcript I would ask that you incorporate your answers along with, I would hope some of the specifics I asked for, and one I think Senator Specter had requested.

I would appreciate that.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STUDENT FINANCIAL ASSISTANCE--NEED ANALYSIS SYSTEM

Senator Andrews: Under the existing needs analysis system for student financial assistance, a major part of the farm family's contribution towards school expenses is expected to come from the farmer's net worth -- a non-cash resource. Up to now, a student from a farm family could use the guaranteed student loan to borrow this contribution expected from assets.

If a needs test is devised for guaranteed loan borrowers, would the farm family continue to have this option?

Answer: Proposals under consideration at this time would result in an approved need analysis system being used, beginning July 1, 1981, to determine eligibility for Guaranteed Student Loans in addition to other forms of Title IV student assistance (which are already need-based). If this proposal is adopted, a student could still borrow to the extent of his/her "remaining need" and his/her parents could borrow under the GSL program to help meet their "expected family contribution" --up to statutory limits.

Senator Andrews: It is my understanding that the needs analysis system to be implemented for the 1982-83 academic year will expect farm parents to contribute towards their children's school expenses 10 percent of all net worth in excess pf $50,000. If this is true, up to 40 percent of the student applicants from North Dakota may become ineligible for any type of federally subsidized student aid.

If this is true, does the Administration intend to introduce legislation or regulations to correct or mitigate this inequitable treatment of nonliquid resources?

Answer: It is not correct that the need analysis system to be implemented for the 1982-83 academic year will expect farm families to contribute 10 percent of all net worth in excess of $50,000 toward their children's educational expenses.

The Education Amendments of 1980 provide for three major offsets before considering assets in the calculation of expected family contribution.

1) all equity in a family's principal place of residence
2) $10,000 from other net assets (non-homeowners have an offset of $25,000)
3) $50,000 against net farm and business assets

For example, a farm family with a home whose net worth is $50,000 would have up to $110,000 excluded from any assessment for Pell Grant purposes. And that exclusion would only be needed as an offset against net assets, equity remaining after deducting for outstanding debts and mortgages.

In addition to the legislative offsets listed above, current regulations provide for an offset for families who have negative discretionary income. Negative discretionary income results when income offsets provided for Pell grant purposes exceed a family's adjusted gross income. For example, a family of five whose gross income was $10,000 would have a minimum offset of $11,700 for basic living expenses. This would provide a negative discretionary income offset of $1,700 to be applied against assets. Therefore, in calculating assessable assets for this family, the value of their home would not be considered and they would have $61,700 in deductions from other net assets before any assessment took place.

The assessment rate used against assets--after the above exclusions --to calculate the expected family contribution to educational costs from assets is determined under regulations which are annually presented to Congress for approval. In 1981-82 the assessment rate on assets is 5 percent. The rate for 1982-83 has not yet been proposed.

BASIC EDUCATIONAL OPPORTUNITY GRANTS - PELL GRANTS

LEGISLATIVE CHANGES

Question: The Committee is concerned with the escalating costs of the Basic Educational Opportunity Grants (now Pell Grants) program. Apparently the Reagan Administration will propose legislative changes in the BEOG program to help reduce their costs. Please explain what these changes would be.

Answer: The Administration is proposing the following legislative changes to the Pell Grant program:

1. Legislation will be proposed which will require (beginning with the 1981-82 award year) a $750 self-help component in calculating both Pell Grants and Supplemental Educational Opportunity Grants.

2. The maximum Pell Grant for 1981-82 would be maintained at $1,750, which is the same maximum grant provided in 1980-81.

3. The 1981-82 Pell Grant Family Contribution Schedules will be revised to eliminate the increase in the family size offsets over the amount of those offsets in the 1980-81 schedules. This is a regulatory rather than a legislative change, but is subject to congressional approval.

4. The Cost of Attendance Regulations, published on January 21, 1981, to implement a provision of the Education Amendments of 1980, will be revised to more tightly control student budgets for purposes of awarding Pell Grants. This revision will be based on the current wording of Section 482(d) of the Higher Education Act. However, the Department will also propose a series of revisions to that section of the Act to allow the Secretary to set limitations on costs which under the current legislation are left entirely to the discretion of the institution.

5. The $10.00 per recipient administrative allowance to be paid from Pell Grant program funds (enacted by the Education Amendments of 1980) will be eliminated.

6. A proposed amendment will be submitted to Congress which would allow the Secretary to determine the assessment rate on family discretionary income. The amendment would replace

the current language of the Education Amendments of 1980 which mandates a maximum 14 percent assessment rate in the Federal need analysis formula beginning with the 1982-83 award year. Additionally, amounts paid for State and local taxes will not be excluded from effective family income in determining eligibility for Title IV aid.

Question: How quickly could college financial aid offices implement these changes? Provide a realistic estimate.

Answer: The changes proposed should not greatly affect the workload associated with the packaging of student financial assistance. Financial aid advisors are currently developing packages based on estimates of awards and funding levels.

Most of the other proposals which take effect in 1981 are elements of the award process which occur when awards are finalized. The only proposal which affects the process at its beginning is the delivery of the student's eligibility index. This index, a measure of his family contribution, is based upon the revised Family Contributions Schedule which is now before Congress. The revision retains the same family size offset as the previous year without adjusting for inflation. Congress has 45 days to act. Student eligibility reports will be delayed until Congress acts.

Question: In FY '80 and FY '81, the maximum BEOG award is $1,750; for FY '82 the Carter budget proposed to raise this to $1,800. Does the Reagan Administration also intend to raise the maximum grant award in FY '82 to $1,800? Why?

Answer: The Reagan Administration proposal follows that of the Carter budget by proposing a maximum Basic (Pell) Grant of $1,750 for Fiscal Year 1981 and $1,800 for Fiscal Year 1982. The increase in 1982 is intended to help provide awards to the neediest students which respond to the rising costs of education.

APPLICATION FORMS--OVERPAYMENTS

Question: Over the years, many students have received under- and over-payments in the BEOG program, often as a result of application errors or fraud. What steps have been taken to improve the application process for BEOGs?

Answer: Several steps have been taken to improve the application process for Pell Grants in response to a recent Quality Control Study. A number of recommendations were directed toward improving the application form itself. These recommendations were followed in redesigning the 1981-82 application form and instructions. To further our efforts to improve the application form, we are now in the process of field testing several alternative application forms. The 1982-83 Pell Grant Common Application Form will incorporate the findings from the field test.

Also, recommendations focused on our training and information dissemination activities. In order to assess the quality of the training efforts, steps have been taken to administer pre- and post-tests to participants attending our training workshops. The results of these tests will be used to assess the effectiveness of the training received and to develop future training efforts.

The recommendations also addressed improvements in procedures to detect misreported applicant data. Specifically, analysis of the Basic Educational Opportunity Grant (BEOG) applicant data was utilized to improve our ability to identify error-prone applicants. Development and test efforts are now being conducted and are awaiting final review. Full implementation is expected to take place during the 1982-83 processing year.

In order to improve the capability of the processing system to detect errors, the study recommended the design, testing and implementation of an edit procedure. This process would help to flag any unusual variations of financial data reported by any applicant who applies for assistance in two or more processing years. We expect to test these procedures on a sample data base during the 1981-82 processing year.

In addition, we plan to implement a pilot project involving six to eight institutions to test the feasibility of using computer terminals at institutions to process application data and account for program funds. The primary goal of the project is to change from a paper-driven system to one that is electronic. The proposed system will aid in reducing fraud, waste, and abuse, and at the same time, improve service delivery to students. The project is expected to be in place by January 1982.

Finally, as part of our monitoring process, we are conducting a second quality control study involving approximately 4,000 students and their parents. The participants of this study will be asked to verify information submitted on their Pell Grant application. The results of this study will be analyzed to determine the nature, frequency, causes, and effect of the errors on Pell Grant awards, as well as procedures that may be used to reduce or eliminate these errors.

The results of this study are expected to be available beginning June 1982.

Question: How much money in FY '80 was overpaid?

Answer: In fiscal year 1979 a quality control study was conducted to estimate overawards. The study showed that $116 million was overawarded. Since that study, many steps have been taken to reduce the amount of errors in awards. A second quality control study is being done now, with results available in 1982. Data to determine an exact amount of overawards for fiscal year 1980 is unavailable.

Question: How are applications reviewed to check for fraudulent information?

Answer: The Department has developed a number of methods for reviewing applications to check for fraudulent information.

1. A large number of edits have been developed and refined which check for inconsistent or blank data reported on the application form. If data are left blank or are inconsistent, the application is returned to the student for further information.

2. Based on the student's responses to the above checks, applications are selected for review by Financial Aid Administrators. Students are requested to provide documents, such as the 1040 form, to support data reported on the application.

3. Applications are also selected randomly for review by Financial Aid Administrators.

4. The Social Security Administration provides a tape consisting of students who receive Social Security Benefits and the amount of benefits received. This tape is matched with each Basic Grant application to determine whether benefits are being underreported. If it appears that benefits are being underreported, the application is returned to the student for further information.

5. The Department checks each Basic Grant application to determine whether the reported Social Security Number is a valid assigned number.

6. The Department has conducted numerous studies to analyze our current editing and review procedures. Every processing year these procedures are updated and finetuned to make the checks for fraudulent information work as well as possible.

Question: What steps does the Department take when it uncovers a fraudulent overpayment?

Answer: The Department requests from the student documentation to support the information reported on the application. If information has been misreported, the student is requested to make any necessary corrections. If an overpayment has occurred, the student must pay back any overaward. If the student refuses to pay back the overaward, the case is turned over to our Collections Department.

PROGRAM COST ESTIMATES

Question: Since the inception of the BEOG (now Pell Grant) program, this Committee has had to cope with inaccurate estimates of BEOG program costs. In FY '80, the Administration recommended a deferral of $140 million for the BEOG program; the Appropriations Committee chose to rescind this budget authority rather than defer it.

Latest estimates show that the BEOG program needs to borrow $284 million from its FY '81 appropriation in order to meet its full year FY '80 costs. This means that the Department's BEOG estimates for FY '80, without the rescission, were off by $144 million; and with the rescission were off by $284 million. Why did the Department recommend a rescission of Fiscal Year 1980 BEOG funds?

Answer: The prior Administration proposed deferring $140 million in BEOG funding as part of their effort to fight inflation. The deferral had the effect of decreasing each Basic Grant award for the 1980-81 award year by $50, decreasing the maximum award from $1,800, to $1,750. It was felt this would permit a significant budget saving yet the modest reduction in individual awards would not significantly enroll in postsecondary education programs.

Question: How are budget estimates for the BEOG program made?

Answer: In the past, budget estimates for the BEOG program were made using a computer simulation model know as the "Enrollment/Series Model." This model suffered from several deficiencies which caused errors in budget estimates. In 1979, the Department developed a new improved computer simulation model known as the "Applicant-Based Model." However, the Applicant-Based Model was still being reviewed and tested against actual program experience at the time of the Fiscal Year 1980 rescission. At that time, the Department, of necessity, made budget estimates based on all available information. Unfortunately, those estimates proved to be inaccurate.

Question: What steps is the Department taking to improve the quality of its estimates for the BEOG program?

Answer: Since that time, the Applicant-Based Model has been thoroughly tested and again revised. Budget estimates using this model are accurate to within 2 percent of actual program experience for the 1979-80 and 1980-81 years. A panel of experts on BEOG forecasting from within the Department, as well as from CBO, CRS, the College Board and the American Council on Education, participates in reviewing the model assumptions.

The Applicant-Based Model uses a sample of 145,000 applicants/recipients from the 1979-80 award period. The financial information of each sampled student is updated to the year in question on the basis of current estimates of future economic conditions. The eligibility and award for each sampled student is calculated using the proposed formula and award calculation rules for the year in question. The calculated eligibility and award values for each sampled student are then aggregated to produce a budget estimate.

The Department is continually updating the current model and trying to develop new budget forecasting techniques. For example, the Applicant-Based Model periodically receives "updates" to its economic assumptions. Less frequently, the Applicant-Based Model also undergoes major revisions to its data and programming. The former consists essentially of replacing the existing applicant sample with more recent data. The model is also reprogramed from time to time in response to new program proposal or to increase its flexibility of use.

Another major effort by the Department to improve Pell Grant cost estimates is in the development of a new, more versatile cost estimation model.

One of the problems with the Applicant-Based Model is that it is accurate only in a situation where the general nature of the population is stable. However, if the characteristics of the future Pell Grant applicant population change significantly due to changes in the socioeconomic factors and/or the liberalization/restriction of eligibility, use of a data base derived from prior-year applicants may not produce completely accurate estimates. To avoid this problem, the Department has recently begun development of a new model, a project called the "OSFA Integrated Model", which would be driven by a sample that represents all postsecondary students, rather than prior year Pell Grant applicants. This project is also designed to model the other major aid programs administered by the Office of Student Financial Assistance. The Department expects the Integrated Model to be completed some time in early 1982.

INCOME DISTRIBUTION OF APPLICANTS

Question: Over the years, the number of low-income applicants for BEOGs appears to be declining, while the number of higher income applicants appears to be on the increase. What, in your opinion, is the reason for this trend?

Answer: (1) The number of higher income applicants has increased because initiatives in 1979 were targeted to bring more middle income applicants into the system. This automatically causes a proportionate increase in higher income applicants versus lower income applicants.

(2) In addition, the use of Multiple Data Entry, introduced in 1978-79, caused an increased number of higher income applicants to apply for a Basic Grant.

(3) The reduction in low income applicants also results from the normal inflation of incomes and upward movement of applicants in the income distribution.

Question: What is being done to make sure lower income students are aware of the availability of BEOG grants?

Answer: (1) Special program information is prepared and sent to the TRIO programs (programs targeted to the economically disadvantaged) for their dissemination.

(2) The Department initiated an advertizing campaign in 1980-81. Commercials were prepared for radio and TV demonstrating the availability of student financial aid.

SSA - MINIMUM STUDENT BENEFIT

Question: The Reagan Administration is proposing to eliminate the Social Security Student Benefit. This could mean that a considerable number of students currently eligible for social security benefits will apply for and be eligible for BEOGs. If this change is enacted, how many additional students may become eligible for BEOGs?

Answer: The Department estimates that approximately 51,000 additional students would become eligible for BEOGs in 1981-82 as a result of the changes to Social Security student benefits.

Question: Has the Reagan Administration calculated this increased cost into the FY '82 BEOG request? How much has this added to the request?

Answer: The increased costs and increased number of eligibles associated with this change were included in the BEOG reuest. For fiscal year 1981, $46 million was added to the BEOG request. For fiscal year 1982, $56 million was added.

FISCAL YEAR 1981 SUPPLEMENTAL

Question: In FY '81, the Carter Administration called for a supplemental of $811 million for BEOGs. However, $284 million of this amount was for FY '80 costs, so $527 million was to pay for FY '81. How much of a supplemental does the Reagan Administratration intend to request for BEOGs?

Answer: The Reagan Administration is requesting a $661 million supplemental in fiscal year 1981. Of this amount, $258 million was for fiscal year 1980 costs. The remainder of $403 million would provide a total budget of $2,562 million for fiscal year 1981.

Question: What changes in the BEOG program does the new Administration envisage?

Answer: The changes in the BEOG program envisaged by the new Administration are as follows:

(1) a maximum award of $1,750 in 1981-82 and $1,800 in 1982-83;

(2) implementation of a $750 self-help component;

(3) limit the calculation of the cost of education;

(4) maintain family size offsets at 80-81 levels during 1981-82; and

(5) increase the income assessment rate to 20 percent in 1982-83.

COLLEGE WORK STUDY

STATE ALLOCATION

Question: Some States use Federal Student Assistance Funds in unique ways. For example, New Mexico historically has relied very heavily on College Work Study to help its students through college. What special allowances does the distribution formula for College Work Study, SEOGs and National Direct Student Loans permit for the special needs of States? Please be specific.

Answer: The Secretary allots 90 percent of appropriated funds for a fiscal year to States according to the State allotment formula for each program. The statutory State allotment under the CWS program is based on the number of persons enrolled in higher education on a full-time basis in the State, the number of high school graduates in the State, and the number of related children under eighteen years of age in families with annual incomes of less than $3,000 in the State, compared to the number of persons in each of these categories in all of the States. The statutory State allotment under the NDSL program is based on the number of persons enrolled on a full-time basis in institutions of higher education in the State compared to the number of students in the category in all of the States. Each year a State allotment table is developed for each program which shows the State allotment for each State.

The next step is to determine how much each institution shall receive based on expenditures in each program (In the funding process this is called the conditional guarantee.) For NDSL each institution receives the greater of its base year (1979-80) expenditures or its projected current year (1980-81) expenditures multiplied by 90 percent. For CWS and SEOG the statute requires that each institution receive an amount equal to its 1979-80 expenditures. The conditional guarantees of all institutions in a State are then totalled. If the total of conditional guarantees of all institutions in a State is less than the State's allotment, awards to institutions in that State are increased based on formula measured need. For SEOG, the State increase occurs only in the initial year awards. Once the requirements of the statutory State allotment formula and conditional guarantees are met, remaining funds are distributed nationally based on formula measured institutional need.

For those institution's which rely more heavily on CWS funds than SEOG, no accommodation is available under the formula itself. The national appeal process, however, is available as a recourse.

Question: Are there adequate mechanisms available to the Department to allow for reallocation of unused funds to other States which have considerable need for additional funds? How does reallocation work? Please be specific.

Answer: The Secretary does reallot available funds that are not needed to maintain a State's statutory State allotment to institutions in other States according to the following steps:

1. For CWS, by law 50 percent of any available funds are reallocated to eligible applicant institutions to administer cooperative education programs;

2. Funds are then distributed to institutions whose students have suffered financial hardship due to a natural disasters within the preceding 12 months;

3. If any funds remain, the Secretary increases awards to institutions whose computed need (as determined in the funding formula) is greater than their initial allocation of funds. Additional funds are reallocated to those institutions to bring them closer to their "fair share" of funds.

FAIR SHARE ALLOCATION FORMULA

Question: Last year this Committee expressed concern that the so-called "Fair Share" allocation formula for the SEOG, NDSL, and College Work-Study programs was causing consternation among various state colleges and universities. This allocation formula redistributes 10 percent of the appropriation for these programs according to a federal calculation of which institutions have the greatest need for funds. How does the Fair Share Allocation work? Please be specific.

Answer: Each institution's need for funds is calculated using a uniform measure of need. There are two such measurements: the SEOG formula, based on 75 percent of cost, and the self-help formula (for CWS and NDSL), which measures the remaining 25 percent. Fair share is the need for funds proportionally reduced to the funds available.

A simple example will illustrate Fair Share. Assume School A's CWS self-help index is $100 and the sum of the indexes for all participating CWS institutions in the Nation is $1,000. School A has one-tenth of the need for CWS funds and its Fair Share is one-tenth of the funds available ($100). School A's Fair Share is $10.

Before Fair Shares can be met, both the statutory State allotment, which takes 90 percent of CWS funds, and the legislatively mandated institutional "hald harmless" (conditional guarantee) must be met.

When the sum of "hold harmless" amounts in a State exceeds the State allotment, the difference comes out of the remaining 10 percent. Only the unused balance of the 10 percent is available to satisfy National Fair Shares.

Unmet Fair Share (shortfall) is determined by comparing amounts already awarded to the institution through previous steps with the institution's Fair Share. The difference (shortfall) is assigned a relative index and remaining funds are awarded based on that index.

When the sum of "hold harmless" amount in a State is less than the State allotment amount, increases are awarded to eligibile institutions in the State using the Fair Share procedure outlined, for National Fair Share.

All data used in formula funding is auditable and verifiable.

Question: Does the Reagan Administration intend to continue to use the Fair Share Allocation formula? Why?

Answer: As mentioned above, there are two fair share allocation formulas--one for SEOG and one for CWS and NDSL. The development of the fair share formulas has been based on extensive and on-going consultation with the financial aid community. The Education Amendments of 1980 specify the formula to be used for the fair share allocation of SEOG funds. The Administration is proposing no further changes to the fair share allocation formulas at this time.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG) PROGRAM

STATE FORMULA

Question: The Education Amendments of 1980, authorized a new distribution formula for Supplemental Educational Opportunity Grants. Previously, grants were allocated according to a State's undergraduate and graduate enrollment; henceforth it will be calculated according to a State's undergraduate enrollment. How will this change in the distribution formula affect the allocation of funds among States?

Answer: The SEOG distribution formula only applies to initial year awards which includes less than half of the appropriation. In addition only 90 percent of the funds are distributed by the formula. Most importantly, the Education Amendments of 1980 provide for an institutional "hold harmless."

Question: Which States will receive more funds? Which States will receive less?

Answer: It is unlikely any State will receive less under this new formula, since each institution is guaranteed a minimum funding level equal to its fiscal year 1979 SEOG expenditures.

Question: Are graduate students eligible for SEOGs?

Answer: Authorizing legislation limits SEOGs to undergraduate students.

INSTITUTIONAL FORMULA

Question: The Education Amendments of 1980 authorized a new institutional distribution formula for the Supplemental Education Opportunity Grant program. How does this law change the distribution formula?

Answer: The Education Amendments of 1980 authorized a new formula to determine institutional need for SEOG funds. Previously this need was defined as the difference between 70 percent of the cost of attendance for all students eligible for financial aid and the following quantity: the total amount of Basic Educational Opportunity Grants awarded, plus the expected family contributions of the eligible aid applicants, plus the total of State-provided grants and scholarships, plus 50 per cent of institutionally administered grants. Current legislation redefines institutional need for SEOG funds by changing three of the components in the above formula. The cost of attendance parameter has been increased from 70 percent to 75 percent. The total of State supplied grants and scholarships has been replaced by the institution's State Student Incentive Grant award (Federal share plus the State match). The rate for institutionally administered grants has been reduced from 50 percent to 25 percent.

Question: What types of institutions would receive more funds under the new distribution formula? What types would receive less?

Answer: Institutions with any or all of the following characteristics would demonstrate increased need for SEOG funds and thus would be eligible for increased funding under this new formula:

a. higher cost;
b. location in those States with well-developed State-sponsored aid programs;
c. possession of well-developed institutionally administered grant programs.

FISCAL YEAR 1982 REQUEST

Question: The Carter Administration requested $400 million in FY '82 for Supplemental Educational Opportunity Grants, an increase of $30 million over fiscal year 1981. How much does the Reagan Administration plan to request?

Answer: The Reagan Administration has requested $370 million in fiscal year 1982.

Question: Does the Administration plan to suggest any substantive changes in the SEOG program? If so, which?

Answer: The Administration has proposed that an amount of expected self-help be included in determining the amount of a SEOG award. In fiscal year 1981 the Administration proposes to require $750 in expected self-help.

Question: From a programmatic perspective, what would be the negative repercussions of appropriating less than $370 million? How many fewer students would be served?

Answer: The $370 million level represents level funding and we are projecting that 586,000 students will receive SEOGs. At an average award of $600, a reduction of $30 million would eliminate 50,000 recipients.

COLLEGE WORK STUDY

Question: In the Education Amendments of 1980, institutions are encouraged to use College Work-Study funds to create jobs which involve students in programs designed to expand services to low-income families. Have any institutions used these funds for this purpose?

Answer: Schools report program activity as of June 30 of each year; therefore we do not know yet how many institutions are using CWS funds to employ students in a community service learning program. We have, however, received many inquires from institutions regarding the new program.

Question: What are examples of the kinds of jobs these might be?

Answer: Jobs may be for an organization such as the New York City Urban Corps, the Intergenerational Service Learning Project of the National Council on Aging, or any job related to such fields as health care, education, welfare, social services, public safety, crime prevention and control, transportation, recreation, housing and neighborhood improvement, rural development, and community improvement.

JOB LOCATION ALLOWANCE

Question: According to the budget justification, roughly $47 million of the total $550 million College Work-Study appropriation is a "Job location allowance". How exactly are these funds used?

Answer: The purpose of the Job Location program is to encourage institutions to develop and expand off-campus employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and who desire work. Funds institutions receive are to be used for administering the program. Allowable costs of administration under the Job Location program include those that are reasonably related to carrying out the intent of the program. Allowable costs include but are not limited to:

- Staff wages and salaries
- travel expense related to job location activities only
- mailing costs and printing for brochures and handbooks which contain information about the institution's JLD program;
- cost of supplies (pencils, paper, etc), furniture, and equipment used by the institution for its JLD program
- workshops for students and employees

Question: Of the estimated 986,000 jobs provided with College Work-Study funds in Fiscal Year 1981, how many of these will be off-campus jobs?

Answer: In fiscal year 1979, 498,420 students were employed off-campus.

Question: What incentive is there for an institution to place students in an off-campus job?

Answer: The incentive for using the Job Location program to find increased numbers of jobs off-campus lies primarily in the service that is provided to the student. First, it is easier for any student to find a job in his/her field of study if the job market is expanded to include the private sector off-campus. In addition, jobs provided under the Job Location program, even though developed and administered through the use of CWS funds, may employ any student regardless of need. It is, then, an ideal way in which to provide work opportunities for all students who want to work to help pay for expenses even though they are not qualified for CWS.

NATIONAL DIRECT STUDENT LOANS (NDSLs)

DEFAULTS

Question: It is the Committee's understanding that when the Federal Government actually collects defaulted NDSL loans, it returns 80 per cent of the amount collected to the school from which the loan was made. Is this true? Why isn't this a disincentive to schools to agressively collect defaulted loans?

Answer: The Department of Education (ED) receives both referred and assigned defaulted NDSL accounts from schools. Assigned notes become the property of the Federal government, and dollars collected on these accounts are not returned to the schools which submitted them, but are deposited into the general fund of the Treasury. Referred notes remain the property of the school, and the amount collected on them by ED is returned to the school after 20 percent has been deducted to cover ED's collection costs. This is not a disincentive to the schools to pursue collections aggressively. Schools must prove they exercised due diligence in their collectionn efforts, as defined by the governing regulations, before they may assign or refer defaulted NDSL accounts to ED.

Question: What steps has the Department taken both to improve schools' loan servicing and collection procedures, and to encourage schools to actively try to collect defaulted loans?

Answer: ED has taken a number of steps to improve school's loan servicing and collecting procedures. These include requiring biennial audits of the schools' NDSL operations and regularly scheduled program reviews. We are preparing an Notice for Proposed Rulemaking to be issued sometime this spring which will strengthen our current regulacovering due diligence and the assignment and referral of defaulted NDSL accounts. We encourage schools to try to collect defaulted NDSL accounts actively through withholding new Federal capital contributions from an institution if the school's default rate is greater than 10 percent, the default rate has not declined by 25 percent from the prior base year, or the school cannot satisfactorily prove its exercise of due diligence.

Question: How many schools presently turn collections of NDSLs over to the Department of Education?

Answer: Approximately 2,100 schools have submitted, referred, or assigned defaulted NDSL accounts to the Department of Education.

Question: How many collectors does the Department heve?

Answer: As of January 31, 1981, ED had approximately 110 full-time equivalent contact (i.e., telephone) collectors working on the NDSL accounts. In addition, we estimate that there were approximately 200 other full-time equivalent staff supporting the NDSL collections program through support, litigation, research, skip-tracing and data management activities at that time. It should be noted that these figures fluctuate from month to month due to special projects, attrition, etc.

Question: Are more collectors needed? Why?

Answer: More resources can always be used to develop a larger NDSL collections program. However, improved computer support will be available later this year when our interim NDSL system is incorporated into the established Guaranteed Student Loan computer system. This will reduce the amount of manual effort required for collections support activities. Nevertheless, we will continue to require a collections staff (whether supplied internally or through contracted collection agencies) in order to work the large portfolio of accounts (280,000 accounts) effectively.

Question: For how many cases of loan default are prosecutions sought?

Answer: As of February 28, 1981, 49 assigned NDSL accounts had been referred to the Department of Justice for litigation. We do not have information as to how successful Justice has been in collecting on these accounts. ED cannot send referred NDSL accounts to Justice since these accounts remain the property of the schools which referred them to ED.

Question: For a number of years, this committee has been concerned about the very high default rates in the National Direct Student Loan (NDSL) program. As of June 30, 1979, the default rate for the NDSL program stood at 16 per cent. How many dollars in defaulted loans are there?

Answer: The principal outstanding onloans in default as of June 30, 1979 is $731,742,500. The default rate of 16 percent is calculated by dividing the above amount by $4,562,311,490 which represents the total funds which have ever entered repayment status since the inception of the program in 1959. The default rate declined from 17.4 percent as of June 30, 1978 to 16.07 per cent as of June 30, 1979.

In trying to reduce the NDSL default rate, two new provisions have been added to the NDSL statute which authorize the Secretary to collect on defaulted loans that institutions refer or assign for collection. Notes that the institution assigns to the U.S. Government are assigned without recompense and all rights, authorities and privileges associated with the notes are transferred to the U.S. Government. All funds collected are the property of the U.S. Government and are remitted to the U.S. Treasury. Notes that are referred to the Secretary for collection are done so for collection activity only. The institution still retains total responsibility for the notes. Institutions are reimbursed 80 per cent of all dollars collected and 20 per cent is kept to cover the costs of collection. To date approximately 280,000 accounts have been referred and assigned for collection.

Question: How old are the defaulted loans?

Answer: There are 875,000 loans in default as of June 30, 1979. The length of time they have been in default is as follows:

120 days to 1 year	166,000
1 year to 2 years	193,000
more than 2 years	516,000

Some of the 516,000 loans were issued as early as 1959 and the early 1960's.

Question: What per cent of the loans are more than eight years old?

Answer: The Department of Education does not collect this information from the colleges and universities.

Question: For the record, provide a list of schools whose total default rate for NDSLs exceeds 10 per cent. (show the default rate next to each school.)

Answer: Such a list currently does not exist. We are, therefore, preparing the specifications for the preparation of an automated list of these institutions. We expect to be able to deliver the list for the record in approximately two weeks.

FISCAL YEAR 1982 BUDGET

Question: The Carter FY '82 Budget proposed an appropriation of $286 million for NDSL. What is the Reagan request?

Answer: The Reagan Administration request is $286 million for fiscal year 1982, which represent $100 million over fiscal year 1981 funding.

Question: What programmatic changes, if any, do you plan in the National Direct Student Loan program?

Answer: No programmatic changes are currently planned.

STATE STUDENT INCENTIVE GRANTS (SSIG) PROGRAM

Question: The State Student Incentive Grant program appears to have been a success; all States and Territories now have grant/scholarship type programs to supplement Federal aid to education. Furthermore, States not only match the Federal contribution for SSIGs as the law requires, according to the budget justification, they overmatch it by a ratio of almost 11 to 1. Given this successful performance, what further need is there for the Federal payment to this program?

Answer: It is true that the Nationwide SSIG network overmatches Federal SSIG funds by a ratio of almost 11 to 1, but the matching capability is extremely uneven. In 16 States, SSIG and State matching make up the entire amounts available for needy students. In another 6 States, SSIG and State matching make up two-thirds of the total available student grant funds. In still another 6 States, SSIG and State matching make up at least 40 per cent of the total State scholarship payout.

This means that approxximately 28 States--primarily those with newer State grant programs--depend heavily upon SSIG funds to maintain their State grant programs. At the other end of the continuum, in States like New York, Pennsylvania, Illinois, New Jersey, Minnesota, and Vermont--which have mature grant programs SSIG and State matching make up not more than 10 per cent of the total State grant payout. Even so, some of the more affluent States have used SSIG to expand eligibility to institutions and students not previously covered in their State grant program.

Furthermore, States pay all SSIG administrative costs. Operation of the Federal/State SSIG network thus provides a locus for State attention to other higher education concerns, such as the educational needs of nontraditional students.

Because the SSIG delivery system is already in place, funding at the modest current level of $76.75 million will maintain State grant paticipation.

Question: What would be the negative consequences, if any, if the Federal government halved its contribution to SSIGs? If it stopped contributing entirely?

Answer: Reducing the Federal contribution by half would place a heavy burden upon States to provide with State funds those grants to students formerly supported with Federal funds. Or if States were not able to meet this goal, over 150,000 students would not receive grants.

Complete elimination of Federal funding would result in a reduction of 307,000 grants averaging $500 to needy postsecondary students.

SSIG AS PERCENT OF TOTAL STATE GRANT PAYOUT -- 1980-81
RANK ORDER (Low to High) - - THE FIFTY STATES AND
DISTRICT OF COLUMBIA

STATE	% FEDERAL (SSIG) 1980-81
New York	2
Pennsylvania	4
Vermont	4
Illinois	5
New Jersey	5
Minnesota	5
Iowa	6
Indiana	7
South Carolina	7
Wisconsin	7
Rhode Island	8
All States	8
Ohio	9
Michigan	11
Connecticut	14
California	14
Oregon	14
Massachusetts	15
Missouri	15
Virginia	15
Colorado	16
Kansas	17
West Virginia	18
Kentucky	18
Tennessee	20
Florida	22
Maine	23
Texas	23
Maryland	24
Arkansas	25
North Dakota	35
Washington	36
Delaware	36
Utah	37
Georgia	38
North Carolina	45
Alabama	50
Alaska	50
Arizona	50
District of Columbia	50

STATE	% FEDERAL (SSIG) 1980-81
Hawaii	50
Idaho	50
Louisiana	50
Mississippi	50
Montana	50
Nebraska	50
Nevada	50
New Hampshire	50
New Mexico	50
Oklahoma	50
South Dakota	50
Wyoming	

*Data from 12th Annual Survey of National Association of State Scholarship and Grant Programs, and SSIG Program Records.

STUDENT LOAN INSURANCE FUND

DEATH, DISABILITY AND BANKRUPTCY CANCELLATIONS

Question: The FY '82 budget justification shows a marked increase in the GSL appropriation to cover death, disability and bankruptcy claims. Does the Reagan budget project a similar increase in the cost of these claims?

Answer: Yes. Virtually all of the increase is due to a higher percentage of these claims that we anticipate will occur on the new parent loans.

Question: Why does the cost of these claims rise so dramatically? Please be specific, detailing what assumptions drive this request.

Answer: The increase in estimated costs (from $ 16.9 million to $81.2 million in death and disability and from $13.1 million to $62.5 million in bankruptcy) reflects a large expected increase in the number of parent loans made (from .9 billion in fiscal year 1981 to 2.3 billion in 1982). The new parent loan program (established under the Education Amendments of 1980) is not expected to be fully available until fiscal year 1982. Also, the Administration's GSL proposal -- which is expected to result in a substantial shift in loan volume from student to parental borrowing -- would apply to all of fiscal year 1982, but only to the last quarter of 1981. We expect that loans made under the Parent Loan program will be subject to a higher incidence of death and disability claims than student loans. Also reflected is the fact that virtually all of the Fiscal Year 1981 Parent Loans are expected to be made late in the year (4th quarter) so that most 1981 deaths and disabilities will result in our receipt of the claims in 1982. The same considerations apply to the expected increase in bankruptcy claims. Specifically, the expected increase in these claims may be seen as follows:

Dollars In Millions

	Students		Parents		Loans	
	FY81	FY82	FY81	FY82	FY81	FY82
Death & Disability Claims:						
Cumulative at start of FY	45.4	53.4	0	8.9	45.4	62.3
Cumulative at end of FY	53.4	61.6	8.9	81.9	62.3	143.5
Yearly increase	8.0	8.2	8.9	73.0	16.9	81.2
Bankruptcy Claims:						
Cumulative at start of FY	70.3	81.0	0	2.4	70.3	83.4
Cumulative at end of FY	81.0	91.0	2.4	54.2	83.4	145.9
Yearly increase	10.7	10.7	2.4	51.8	13.1	62.5
Matured Paper:1/						
Cumulative at start of FY	12,704	15,808	0	905	12,704	15,808
Cumulative at end of FY	15,808	19,259	905	2,712	16,713	21,526
Yearly increase	3,104	3,451	905	2,267	4,009	5,718
Ratios						
Death Disability Rate2/	.3%	.3%	1.0%	2.6%	.4%	.7%
Bankruptcy Rate3/	.5%	.5%	.3%	1.7%	.5%	.7%

1/ All loans ever disbursed less loans in-school and grace period.

2/ The Death and Disability claims rate is the ratio of cumulative death and disability claims paid to cumulative matured paper.

3/ The bankruptcy claims rate is the ratio of cumulative bankruptcy claims paid to cumulatice matured paper.

GUARANTEED STUDENT LOANS

Question: The Guaranteed Student Loan program has grown enormously over the past several years. What is the total loan volume for the GSL program since its inception?

Answer: As of December 31, 1980, over 15.5 million loans have been guaranteed for a total dollar volume in excess of $22.7 billion, during the 15-year history of the program.

Question: What is the loan volume since passage of the Middle Income Student Assistance Act?

Answer: Since passage of the Middle Income Student Assistance Act (November 1, 1978), almost 4.4 million loans have been guaranteed for over $9 billion.

Question: What is the net volume of defaulted loans under this program?

Answer: As of September 30 1980, GSL volume of approximately $680 million was in default status. (Data on the first quarter of fiscal year 1981 have not been fully compiled.)

Question: How many defaulted loans have been collected in the past three years?

Answer: From October 1, 1977 through September 30, 1980, over $173 million was collected on loans in default status. Of this amount, about $90 million was collected by the Education Department on defaulted loans under direct Federal insurance and $83 million was collected by State level guarantee agencies. The guarantee agencies retained approximately $25 million of these collections as compensation for related expenses. Thus, net GSL recoveries amounted to $148 million for this period.

Question: How many will be collected, according to your estimates, this year?

Answer: We estimate that more than $92 million will be collected on defaulted loans in fiscal year 1981. Guarantee agencies are expected to collect $52 million and retain $15.6 million. The Education Department is expected to collect $40 million.

PARENT LOANS

Question: In the Education Amendments of 1980, a new Parent Loan Program was authorized. This program authorizes the government to guarantee loans taken by parents of undergraduate students to cover the cost of education.

- o What steps have been taken to implement this new program?
- o When are regulations governing the new program to be issued?
- o How many states have started up a Parent Loan program?

Answer: A Notice of Proposed Rulemaking was published in the Federal Register on January 19, 1981, for the Parent Loan program. The comment period expired March 20, 1981. After assessment of the comments, it is anticipated that final regulations will be published later this spring.

Soon after enactment of the Education Amendments of 1980, a series of bulletins were sent to guarantee agencies, schools and lenders advising them of the new Parent Loan program. The bulletin to the guarantee agencies went into additional detail, and a separate letter was sent to each guarantee agency asking them for their plans for implementing the Parent Loan program. As a result of that inquiry, a press release was issued publicizing the new program, and reporting the dates by which States expect Parent Loan programs to be underway (chart follows). Most agencies anticipated that it would be late spring to early summer before the Parent Loan program could be implemented because of the need to develop new forms, procedures, and computer software. Moreover, some agencies need to seek amendments to state authorizing legislation.

Agencies have been encouraged to implement the Parent Loan program as soon as possible. As long as their programs are in compliance with the statute, they do not need to wait for Federal implementing regulations. However, some agencies have indicated that they would prefer to wait for final Federal regulations.

The Department of Education, working jointly with the National Council of Higher Education Loan programs, has developed a proposed common Parent Loan application form to be used by all agencies, and a common promissory note is expected to be made available as soon as Federal Reserve approval has been obtained for the Truth-in-Lending disclosure requirements. While the Parent Loan program is in many ways just an extension of borrower eligibility under the Guaranteed Student Loan program, there are some key operational differences which will require development of new forms, procedures, and computer systems.

To date, we believe that only the Massachusetts guarantee agency has actually guaranteed any Parent Loans. It is anticipated that most States will have the Parent Loan program in place between now and this summer, and that loans will be available in most States for the 1981-82 academic year.

	Status		Est. Implementation Date
ALABAMA	Has Authority		Uncertain
ALASKA	Has Authority		July 1981
ARIZONA	Uncertain		Uncertain
ARKANSAS	Legislation not Req'd		Uncertain
CALIFORNIA	A.G. Opinion Pending		Spring 1981
COLORADO	A.G. Opinion Pending		April 1981
CONNECTICUT	Legislation Req'd		July 1981
DELAWARE	A.G. Opinion Pending		Uncertain
DISTRICT OF COLUMBIA	Has Authority		July 1981
FLORIDA	Legislation Req'd		Fall 1981
GEORGIA	Has Authority		April 1, 1981
HAWAII	Has Authority		Spring 1981
IDAHO	Has Authority		Spring 1981
ILLINOIS	Legislation Req'd		October 1981
INDIANA	Legislation Req'd		October 1982
IOWA	Legislation Req'd		July 1981
KANSAS	Has Authority		July 1981
KENTUCKY	Legislation Req'd		Uncertain
LOUISIANA	Legislation Req'd		Spring 1982
MAINE	Legislation Req'd		Summer 1981
MARYLAND	Legislation Req'd		July 1981
MASSACHUSETTS	Has Authority		January 1981
MICHIGAN	Legislation Req'd		August 1981
MINNESOTA	Has Authority		July 1981
MISSISSIPPI	Uncertain		Uncertain
MISSOURI	A.G. Opinion Pending		July 1, 1981
MONTANA	Has Authority		Spring 1981
NEBRASKA	Has Authority		July 1981
NEVADA	Legislation Req'd		Summer 1981
NEW HAMPSHIRE	Has Authority		September 1981
NEW JERSEY	A.G. Opinion Pending		May 1981
NEW MEXICO	Legislation Req'd		Uncertain
NEW YORK	Legislation Req'd		July 1981
NORTH CAROLINA	Legislation Req'd		Spring 1981

NORTH DAKOTA	Uncertain		Uncertain	
OHIO	Legislation Req'd		October 1981	
OKLAHOMA	Legislation Req'd		Uncertain	
OREGON	Legislation Req'd		Summer 1981	
PENNSYLVANIA	Legislation Req'd		Spring 1981	
RHODE ISLAND	Has Authority		March 1981	
SOUTH CAROLINA	A.G. Opinion Pending		Uncertain	
SOUTH DAKOTA	Has Authority		Fall 1981	
TENNESSEE	Legislation Req'd		Uncertain	
TEXAS	Has Authority		June 1981	
UTAH	Seeking Authority		Summer/Fall 1981	
VERMONT	Has Authority		Uncertain	
VIRGINIA	Has Authority		Summer 1981	
WASHINGTON	Seeking Approval		Summer 1981	
WEST VIRGINIA	Has Authority		July 1981	
WISCONSIN	Seeking Authority		Summer 1981	
WYOMING	Has Authority		July 1981	
US. SERVICE SCHOOLS				
AMERICAN SAMOA	Uncertain		Uncertain	
CANAL ZONE	Uncertain		Uncertain	
XXXX				
PUERTO RICO	Uncertain		Uncertain	

Question: Please compare all of the assumptions used by the Department in estimating loan volume under the GSLP with those useed by the Congressional Budget Office and where these assumptions differ, indicate the reasons why the Department believes its assumptions are correct.

Answer: The Administration and Congressional Budget Office projections of loan volume for the GSL program, if unamended, are as follows for fiscal years 1981 and 1982 (dollars in billions):

	FY 1981		FY 1982	
	Students	Parents	Students	Parents
Administration	$6.1	$1.1	$7.3	$2.1
CBO	6.5	0.3	7.9	0.9

The Administration made the following assumptions in making the above volume projections:

- o The average student loan amount will increase from $2,091 in 1980 to $2,320 in 1981 and $2,500 in 1982--because of higher loan limits and increasing educational costs. The average parent loan amount will be $1,066 in 1981 and $1,283 in 1982.
- o Student loan base volume in fiscal year 1981 will increase 30 percent over loan volume in 1980. (This year to year increase was 62 percent in 1980, 50 percent in 1979, and 27 percent in 1978.) Basically, this assumes that the loan volume surge following the Middle Income Student Assistance Act reached its peak in 1980, and that the new "last-resort" and loan consolidation authorities will not have major immediate effect on volume.

- Very little of the assumed student loan base (20 percent of the expected increase) will be replaced by parent borrowing. About half of the student borrowers will have their parents borrow in addition--when educational costs are high and/or other aid is low. This assumes that most families will act as a unit to minimize their costs of borrowing, i.e., they will generally use the more heavily subsidized student loan before resorting to the parent loan.

- Because of expected parent loan supply constraints (administrative and legal delays in various States), only half of the parent loan demand expected under the above assumptions will be met in fiscal year 1981.

- The rate of increase in student loan base volume will decline to about 25 percent in fiscal year 1982. The parent loan program will be widely available and widely used in 1982.

In making the above projections the Congressional Budget Office assumed that:

- The average student loan will be $2,241 in fiscal year 1981 and $2,358 in 1982 and that the average parent loan will be $3,000 (the statutory maximum) in both years.

- The rate of increase in student loan volume will be 34 percent in fiscal year 1981, and 22 percent in 1982.

- There will be no use of parent loans in place of student loans (all parent borrowing will be on top of student borrowing --all famillies will seek to maximize Federal subsidization).

- Parent Loan volume will be minimal in fiscal year 1981--because of administrative and legal delays at the State level and because of general lag in the dissemination of information and development of lender interest in the newly authorized program.

- Even when the parent loan program is more widely available in 1982, only 10 percent of eligible families will choose to borrow these 9 percent loans to meet high levels of educational costs.

Administration and CBO projections of GSL student and parent loan volume under the Administration's GSL program reform proposals are as follows for fiscal years 1981 and 1982 (dollars in billions):

	FY 1981		FY 1982	
	Students	Parents	Students	Parents
Administration	$4.2	$0.9	$3.4	$2.3
CBO	4.9	?	4.0	0.5

Again, the Administration and CBO estimates differ primarily in the volume of expected parent loan borrowing--chiefly because of the different basic assumptions about supply and demand for these loans under the program if unamended. The Administration assumes that limiting student borrowing to "remaining need" will reduce the potential student borrowing base to $3.8 billion in fiscal year 1981 and $4.9 billion in 1982. The CBO used similar estimates of total "remaining need": $3.3 billion in fiscal year 1981 and $4.9 billion in 1982. The CBO assumed that eliminating the in-school interest subsidy would result in a 25 percent reduction student GSL volume; the Administration assumed a 30 percent reduction. Both the Administration and the CBO assumed a 50 percent reduction in parent loan volume due to the proposed elimination of the special allowance on these loans.

We would point out that it is very difficult to predict borrower and lender behavior in a program which is sensitive to changing economic conditions, which has been substantially amended twice in the last two and a half years, and which involves 49 independent State level agencies, thousands potential of lending and educational institutions and millions of borrowers. (Even with the recent increases in GSL volume, less than 20 percent of eligible students are now participating.) Parent loan volume is especially hard to predict because there is no history of lender or borrower behavior; and because it is unclear how long legal and administrative requirements may delay operations.

Given these facts, it is remarkable that the student and parent GSL volume estimates made by the Department of Education and the Congressional Budget office are as close as they are. We certainly would not assert that our assumptions and estimates are any more "correct" than those used by the CBO .

LEGISLATIVE CHANGES -- INTEREST SUBSIDIES

Question: It is the Committee's understanding that the Reagan Administration is seeking enactment of many of the legislative changes in the Guaranteed Student Loan program proposed in the original FY '82 Carter budget. Among these, the Department proposes to eliminate the in-school interest subsidy. At present, if a student takes out a 9 percent student loan, the Federal government pays the interest on the loan for the years when the student is in school, and for a short grace period thereafter. What impact will this have on the availability of loans?

Answer: The elimination of the in-school interest subsidy is expected to reduce student loan volume in fiscal year 1982 from $4.9 billion (the level to which volume is expected to be restrained under the proposed "remaining need" limitation) to approximately $3.4 billion. This 30 percent reduction is primarily due to reduced expected student demand because of the reduced level of subsidization (i.e., increase in the in-school interest rate from zero to 9 percent).

We believe that any lender withdrawal from the program due to the added administrative costs of collecting interest from borrowers instead of the Government would be minimal. We would point out that program improvements of recent years designed to cut lender costs and improve lender yield would still be available (e.g., the Treasury bill indexed and unlimited special allowance, Federal and State agency provision of pre-claim skip-tracing, billing and other services, State agency payment of loan origination fees--supported by Federal allowances, and extra subsidization of multiple installment loans).

We would also point out that in the past banks have been willing to make "nonsubsidized" loans of this kind; that there are several devices which can be used to minimize increased administrative costs (e.g., State agency or institutional performance of in-school interest collection); and that nonprofit agency, State and school lenders which are involved in the GSL program to assure loan access have other objectives in addition to minimizing costs. Moreover, we believe that banks would continue to see the GSL program as an important customer and public service.

Question: For very needy students, this provision could cause considerable hardships. How can a poor student be expected to pay the interest on a 9 percent loan while he or she is a full-time student?

Answer: In the first place, a student from a "poor" family would be eligible for a low interest National Direct Student Loan (which has no in-school interest obligation) as well as College Work-Study, Pell Grant, Supplemental Grant, and various other forms of need-based assistance which should minimize that student's "remaining need" for borrowing a Guaranteed Student Loan with its in-school interest obligation.

If a student does have "remaining need" for a GSL, the in-school interest could be handled either:

1. via payment of the in-school interest obligation as it accrues --in which case, students with demonstrated need will be able to use any of the need-based Federal, State, and institutional aid programs to help meet this added cost of education;

2. via interest "capitalization" (adding the accruing interest to the principal obligation)--in which case, the burden in meeting the added cost will be related, not to the financial situation of the student's parents, but to his/her own (presumably enhanced) earning capacity spread over several years after leaving school; or

3. some combination of the two.

We would point out that some States and/or institutions themselves may be interested in providing payment of the in-school interest on behalf of some or all student GSL borrowers, either as a loan or as a grant. Some higher cost private colleges have already indicated that they would probably construct such a plan if the Administration's proposals are adopted. At least one State has provided this form of subsidy in the past; we believe this would be an appropriate and very useful area for State level contribution. We would expect students, lenders and financial aid counselors to exercise prudence in avoiding outstanding debt situations in which the in-school interest obligation might become difficult to manage. If the student does have serious difficulty in meeting this obligation, the lender would be authorized to grant "forebearance," i.e., postponement of some or all of the obligation, possibly capitalizing the amount which cannot be paid as it accrues. One possibility is for the student to obtain an additional GSL for the amount of the interest that he/she is unable to pay during school. (The school itself or a State agency lender could provide this kind of loan.) A parent loan could also be used for this purpose.

Question: How much will this proposal save?

Answer: It is anticipated that the Administration's GSL proposal will save $165 million in fiscal year 1981, $741.5 million in 1982, $1.37 billion in 1983, $1.57 billion in 1984, $1.8 billion in 1985, and over $2 billion in 1986--using the economic projections related to the President's Economic Recovery Plan.

PARENT LOANS -- PROPOSED LEGISLATIVE CHANGES

Question: It is the Committee's understanding that the Reagan Administration endorses the change in law proposed in the FY '82 Carter Budget that would eliminate payment of the special allowance for parent loans, thereby raising the cost of these loans from 9 percent to the market rate. However, the Reagan Administration is not recommending the Carter proposal to broaden eligibility for parent loans to parents of dependent graduate students or the spouse of an independent student.

- o Why is the Administration supporting one proposal, but not the other?
- o What impact will raising the interest rate on parent loans have on the volume of loans made?
- o Why does the Administration oppose broadening eligibility for parent loans, since these loans are in no way subsidized by the government and there would be little or no cost to the government as a result of them?

Answer: It is true that the Administration's proposals support the elimination of special allowance payments on parent loans but do not support the broadening of eligibility requirements. Given this Administration's commitment to curtailing instead of increasing costs of student aid, we see no inconsistency in the two positions. The broadening of eligibility requirements to include parents of dependent graduate students and spouses of independent students would cause increased costs to the Government in the form of claims payments for death, disability, bankruptcy and default, as well as increased loan volume related costs such as guarantee agency allowances.

We estimate that the elimination of the special allowance payments by the Government and the consequent raising of the interest rate will result in parent volume being reduced to approximately one-half of what it would be otherwise. This proposal should discourage unnecessary parent borrowing, and encourage families to use otherwise available resources, and to save rather than borrow for college expenses. In cases where borrowing is necessary, the parent loans should still offer repayment terms and interest rates more favorable than those available on nonguaranteed consumer loans.

Question: How is expected family contribution calculated? Please be specific, and provide for the record all the forms used to calculate the expected family contribution.

Answer: By law, beginning with academic year 1982-83, "expected family contribution" for purposes of other Title IV student assistance will be determined using the standard need analysis system provided in the Education Amendments of 1980 (section 482 of the Higher Education

Act, as amended). The Administration proposes that this system simply be extended to the Guaranteed Student Loan program, with parents (not students) eligible to borrow to help meet "expected family contribution." Many aspects of the new need analysis method are specified in the law. Others will be established via the regulation development process; the proposed regulation must be submitted to Congress by July 1, 1981.

For academic year 1981-82, a participating school may use any need analysis system which has been approved by the Secretary for purposes of the SEOG, CWS, NDSL and SSIG programs. (A list of approved systems is published in the Federal Register each year.) For several years now a "uniform methodology" has been adopted by the major private need analysis services. For purposes of Pell (Basic) Grants, of course, the need analysis is provided by law and regulation. (Schools may also use this method for purposes of the other programs.) Under the Administration's GSL "remaining need" proposal, schools would have the option of using the Pell (Basic) Grant method or any of the approved need analysis methods of computing "expected family contribution" for academic year 1981-82. Explanations and application forms related to both the Pell (Basic) Grant need analysis method and the "uniform methodology" used by the College Scholarship Service and other need analysis services have been provided earlier in answer to another question (see insert 1592A).

Question: In FY '80, what was the volume of student loans guaranteed by the Federal government? In FY '81?

Answer: $4.84 billion were guaranteed under the GSL program in fiscal year 1980. In fiscal year 1981 we estimate $5.7 billion will be guaranteed under the proposed Administration amendments. If the program is unamended, we estimate that almost $7.2 billion would be guaranteed in fiscal year 1981, and over $9.4 billion in 1982.

Question: How much is the proposal to limit borrowing to "remaining need" expected to reduce loan volume?

Answer: The limiting of student borrowing to remaining need is estimated to result in a reduction of $1.7 billion student loan volume in both fiscal year 1981 and fiscal year 1982 below what can otherwise be expected. This represents the amount in excess of "remaining need" that students can be expected to borrow if the program is unamended. We expect that some of this reduction in student borrowing will be made up by parent loan borrowing as part of the "expected family contribution."

DEFAULT RATES

Question: The Education Amendments of 1980 authorized a number of new authorities to crack down on student loan defaulters. Among these were the authority to refer defaulters' names to credit bureaus, and sharing information on borrowers' names and addresses with State Guarantee Agencies. Has the Department made use of its new authorities? Have these had an early impact on reducing defaulters?

Answer: The Department has long supported the reporting of student loan defaulters to credit bureaus. The Education Amendments of 1980 have given us authority to do so with respect to defaulters under the

Federal Insured Student Loan (FISL) component of the Guranteed Student Loan (GSL) program and with respect to defaulters under the National Direct Student Loan program whose notes have been "assigned" to the Education Department. It should be pointed out that we do not have authority to report defaulters to credit bureaus in the case of guarantee agency insured Guaranteed Student Loans (now over 90 percent of new GSL volume), or in the case of National Direct Student Loans which are not assigned to the Government (about 90 percent of defaulted accounts now outstanding).

In both programs, the necessary reporting mechanism is very complex, particularly given the size of our loan portfolio (approximately 740,000 FISL and NDSL open accounts as of September 30, 1980) and the restrictions on reporting and follow-up procedures contained in the Higher Education Act and the Privacy Act of 1974. These restrictions, procedures and notice requirements must be built into the computer specifications now being developed in order to comply with these laws and to allow smooth interface with the credit bureau industry. Furthermore, the procurement process is unusual in that we must enter into "cooperative agreements" with the credit bureaus, rather than follow standard contracting procedures. Despite these problems, however, we expect to be able to begin reporting NDSL and FISL defaulters to credit bureaus by October 1, 1981, and that this action will have some impact on reducing defaults.

The Education Amendments of 1980 also permit us to provide the names and addresses of borrowers to guarantee agencies. We are developing the necessary computer support and finalizing an agreement with Internal Revenue Service (IRS) so that the guarantee agencies can benefit from the IRS locator service. We expect that this service will be available to them by July 1, and that the information will help the guarantee agencies reduce their net default rates.

Question: What other steps is the Department taking to reduce defaults in the GSL program? Provide specific examples.

Answer: In addition to developing a system to report Federal Insured Student Loan (FISL) defaulters to credit bureaus, the Department is engaged in many efforts to reduce defaults and improve collections. We have, for example, recently added a notice on the FISL application form which warns the student that any failure to repay as scheduled may be reported to consumer credit bureaus (either by the lender or the Government).

One of the most difficult problems in collecting defaulted student loans is locating borrowers. Successful Federal "skip tracing" activities include utilization of the IRS Locator Service, the U.S. Postal Service trace, and information provided by credit bureaus and State Departments of Motor Vehicles. These methods are used by the Department in pursuing FISL defaulters. In addition, we assist FISL lenders through a "pre-claim assistance" program which allows lenders to utilize these Federal "skip trace" capabilities before a default claim is filed. This service also includes the use of a series of progressively stern Education Department reminder letters. By regulation, we now require FISL lenders to use this service before a claim may be filed. We have installed a computerized billing system which sends out bills to FISL defaulters automatically and efficiently.

We have recently referred over 27,000 FISL default accounts (about $60 million in defaults) to the Department of Justice for litigation. U.S. Attorneys are launching a well-publicized program of prosecutions in this area. We are assisting the Justice Department in the collection of successfully litigated accounts. Thus far, about $25 million has been collected in this way.

Again, it should be pointed out that all of the above procedures apply only to the fast declining portion of the GSL program which involves direct Federal insurance. In the Federal reinsurance/guarantee agency insurance aspect of the program (under which over 90 percent of new GSL loans are made), the Education Department has no default collection authority or responsibility. We provide substantial guarantee agency administrative allowances to support State level default collection and pre-claim assistance programs. Procedures and policies vary from State to State. In general, the agencies appear to be doing a good job in this area. We have recently developed a new system for consistent, comparable guarantee agency information reporting--which will provide improved Education Department monitoring of guarantee agency default collection activities. In addition, we are seeking a legislative amendment which would allow the Secretary of Education to assume collection responsibility for guarantee agency insured GSLs if necessary to protect the Federal fiscal interest.

Question: Has the Department considered using the IRS to collect defaulted loans? Why?

Answer: The Department uses the IRS locator service to skip-trace defaulted Federal Insured Student loan accounts and to assist both institutional and Departmental collection of National Direct Student Loan defaults. Based on new legislation, we are expanding the use of this service to include the guarantee agency aspect of the GSL program and the Cuban Student Loan program.

The Department recently participated in a Government-wide assessment of Federal debt collection practices, including the feasibility of off-setting student loan default debts against Federal income tax refunds. Changes in the Internal Revenue Code would be needed for the establishment of such a procedure. The Administration is currently preparing proposed amendments to S. 591, "The Debt Collection Act of 1981," which may include the necessary authorization for such a system.

We would point out, however, that a Federal income tax off-set procedure could only be used in the case of defaults over which the Department has legal collection responsibility (i.e., which are legally "owned" by the Government). In the Guaranteed Student Loan program, this would include loans under direct Federal insurance but not reinsured loans made under guarantee agency insurance--loans which now constitute almost all new GSL loan volume. The Administration's budget related legislative proposals for FY 1981 and 1982 include authority for the Secretary of Education to acquire collection responsibility for guarantee agency held GSL default accounts as necessary in order to protect the Federal fiscal interest.

DEFAULT COLLECTIONS

Question: As an experiment, the Department of Education allowed two collection agencies to try to collect defaulted GSLs.

- What success has the experiment had?
- What are the collection agencies' fees?
- Has any evaluation of the productivity of the collection agencies been carried out? What has it shown?
- What are the Department's plans for further use of collection agencies?

Answer: Approximately 100,000 defaulted Federal Insured Student Loan (FISL) accounts were referred to two private collection agencies during the period January 1979 through June 1980. Many of these accounts had already been worked by the Office of Student Financial Assistance (OSFA).

As of January 31, 1981 the agencies had collected $4,189,206. The Atlanta-based agency charges a flat rate commission of 27 percent of dollars collected. The San Francisco-based agency charges a commission based on the age of the accounts as follows:

Age of Account	Percent of Recovery Charged
Less than 1 year	32
1 to 2 years	34
2 to 3 years	38
3 to 4 years	40
4 years and older	44

A Department Task Force on Federal versus Private Agency Collection of Student Loans concluded that private collection agencies are at least as cost-effective as the Department in collecting on defaulted FISL accounts. A report on Student Loan Collections prepared by Booz, Allen and Hamilton, Inc., determined that the cost-effectiveness ratios of Federal and private collection operations are about the same--three dollars is collected for each dollar of cost to the taxpayer. Neither study was able to take into consideration the fact that the previously-worked collection agency accounts are more difficult to resolve than those retained by OSFA.

The private agency collection project has been successful in other areas of concern. For example, the Department had major concerns about the protection of individual privacy and potential harassment of student defaulters. Problems in these areas appear to have been minimal.

The collection of loans is not integral to the mission of the Education Department. This Administration believes that the Federal government should perform only those functions which cannot be performed by the private sector. The two pilot contracts have shown that student loan collection by private firms can be accomplished effectively and with adequate safeguards to protect the rights of borrowers. Accordingly, the Department is moving expeditiously to transfer to private collection firms as much as possible of its student loan default collection operation.

SPECIAL PROGRAMS FOR THE DISADVANTAGED (TRIO)

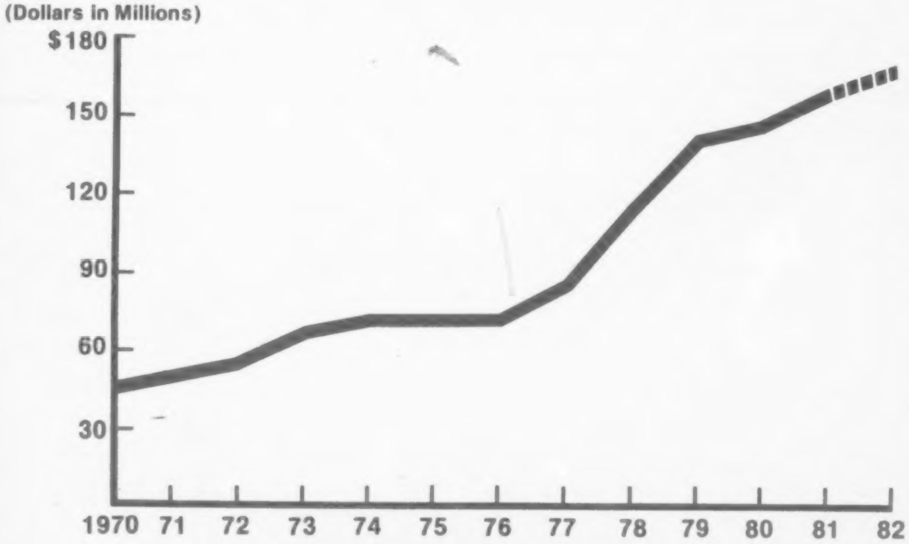
Senator RUDMAN. Let me go through a few of these areas that we would like to have your responses on. I am informed you have some other people here that might want to answer some of these questions, and if you would like to do that, just so inform me and feel free to do that.

I want to talk about the TRIO program just for a moment and ask questions about that.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

Special Programs for the Disadvantaged



NOTE: EXCEPT IN FY 1982, AMOUNT APPROPRIATED IS SHOWN. FOR FY 1982 AMOUNT REQUESTED IS SHOWN.

SPECIAL SERVICES

Senator RUDMAN. These are the special services for the disadvantaged. A number of programs designed to aid the disadvantaged so they can receive postsecondary education.

I would like to know what solid evidence we have that these programs are helping students that otherwise might not have that opportunity? And, does it in fact help them to complete their postsecondary education?

Mr. MEADOR. Mr. Chairman, would it be helpful if I introduced the rest of the staff with me today?

Senator RUDMAN. I wish you would do that for the record. Please do.

Mr. MEADOR. If we may, then we will play musical chairs.

Senator RUDMAN. I expect that you might want to do that. I want to thank all of you here in this first panel. Please proceed.

Are we all set, Mr. Meador.

INTRODUCTION OF ASSOCIATES

Mr. MEADOR. Mr. Chairman, in the interest of time, I would like very quickly to introduce the staff that are appearing with me today.

Mr. Dingeldein and Ms. Christensen you have met previously. John Proffitt on my left here is Director of the Institutional and State Incentive Programs; Tom McAnallen on my immediate left is Chief, Academic Facilities Branch; Dick Sonnergren, on my right is Acting Deputy Assistant Secretary for Higher Education Incentive Programs; Richard Thompson is Acting Deputy Assistant Secretary for International Education; and Richard Fairly is Acting Deputy Assistant Secretary for Institutional Support.

Also, in the interest of time, if you will allow me I would like to submit my statement for the record, and move immediately to your first question.

Senator RUDMAN. I would appreciate that very much, Dr. Meador. And without objection, that will be so incorporated into the record.

[The statement follows:]

STATEMENT OF EDWARD L. MEADOR

I appreciate this opportunity to appear before you today to present the fiscal year 1982 appropriations request and 1981 rescission requests for the programs under the Higher and Continuing Education; Higher Education Facilities Loan and Insurance; College Housing Loans; and Educational, Research, and Training Activities Overseas accounts. The total budget request for fiscal year 1982 for these four accounts is approximately $437.7 million, which includes $1 million in excess foreign currencies. This is $43.1 million above our revised 1981 total request of $394.6 million.

Higher and Continuing Education

The 1982 request for the Higher and Continuing Education account totals approximately $421.8 million, an increase of $44.9 million over our revised 1981 total of $376.9 million. These funds support programs which: increase access and equal opportunity for postsecondary education; develop and strengthen academic programs in areas of high national need; and provide aid for students pursuing a graduate education in certain areas, including law.

Student Services

An appropriation of approximately $169.7 million is requested for the six student services programs in this account. This represents an increase of slightly more than $7 million over the 1981 funding level. These programs help to increase access and equal educational opportunity by removing the non-financial barriers to disadvantaged students pursuing a postsecondary education.

Five of the six student services programs make up the Special Programs for the Disadvantaged, known as TRIO, for which a total of $166.7 million is requested. These programs have been effective in assisting participants to enter college and complete postsecondary education. It is estimated that over a half million disadvantaged persons will be assisted by these programs in 1982.

The remaining $3 million is for the Biomedical Sciences program, which assists talented secondary school students from disadvantaged backgrounds in pursuing careers in the biomedical sciences--a field in which the disadvantaged are underrepresented.

Program Development

For program development activities, we are requesting $209.1 million in fiscal year 1982, an increase of $33.1 million over our revised 1981 funding level. These funds support the improvement of academic programs, especially in areas of high national need.

To improve the academic quality and self-sufficiency of institutions that enroll a large number of disadvantaged students, we are requesting $152.6 million for Strengthening Institutions under Title III of the Higher Education Act. This program was restructured in the Education Amendments of 1980 to provide, beginning in fiscal year 1982, three institutional assistance grant programs: the Strengthening Institutions program; the Aid to Institutions with Special Needs program; and the Challenge Grants program. Together these three programs will assist in improving the academic quality, administrative capability, and self-sufficiency of participating institutions.

In 1982, we are requesting $23 million for the Cooperative Education program. This program stimulates institutions to develop cooperative education programs. While this program has been quite effective in increasing the number of operating cooperative education programs, we estimate that, still, only a small percentage of postsecondary students participate in cooperative education.

For International Education, we are requesting $32 million, a $4 million increase over the 1981 level. These programs--both Domestic and Overseas--respond to the Nation's need for trained specialists in modern foreign languages and area studies, particularly in lesser known areas of the world.

We are also requesting funds for a new program in 1982--the Urban University Grant program authorized by the Education Amendments of 1980. This program will assist universities located in urban areas to use their resources to find solutions to urban problems. The $1.5 million requested would support ten pilot projects.

Graduate Support

The 1982 budget request for Graduate Support of $15.5 million, a $4.5 million increase over the revised 1981 level of $11 million, will provide funds for two programs: graduate and professional opportunities fellowships under the program of Fellowships for Graduate and Professional Study, and the National Graduate Fellowships program.

For the Fellowships for Graduate and Professional Study program, $14 million is requested. This program provides graduate fellowships to women and minorities who are pursuing graduate and professional study in fields in which they have been underrepresented. It is estimated that 1,465 fellowships and 25 institutional grants to improve the academic programs serving the fellowship recipients, will be supported by these funds.

For the National Graduate Fellowships program, newly authorized by the Education Amendments of 1980, $1.5 million is requested for fiscal year 1982. This program will provide graduate fellowships to students of superior ability for graduate study in the arts, humanities, and social sciences. It is estimated that this level of funding would support 165 fellowships during the following academic year.

Construction

Funds are requested for one construction program in the Higher and Continuing Education account, the Interest Subsidy Grants program. The request for this program is $25.5 million, a decrease of half a million dollars from 1981. This will cover the interest subsidies on the remaining 625 loans made prior to 1974.

Law and Education

Finally, $2,000,000 is requested for the Legal Training for the Disadvantaged (CLEO) program which assists individuals from disadvantaged backgrounds to undertake training for the legal profession. It is estimated that 700 students will be assisted through summer institutes and stipends during the academic year. This program has increased the number of persons from disadvantaged backgrounds who enter the legal profession.

No funds are requested in 1982 for five programs in this account for which funds were appropriated in 1981. These are: the new Higher Education Act Title I program of Educational Outreach (formerly Education Information Centers, University Community Services and Continuing Education, and State Postsecondary Education Commissions), the Veterans' Cost-of-Instruction program, Aid to Land-Grant Colleges, and the Law School Clinical Experience program. In addition, two categories of fellowships previously supported under Title IX of the Higher Education Act (Public Service Fellowships and Mining Fellowships) would not be supported in 1982.

1981 Rescissions

In fiscal year 1981, we have requested that a total of approximately $30.9 million be rescinded. This total includes: $12.8 million for the Educational Outreach program, $12 million for the Veterans' Cost-of-Instruction program, $3 million for Law School Clincial Experience and $3.1 million under Fellowships for Graduate and Professional Study for public service and mining fellowships.

Higher Education Facilities Loan and Insurance

The fiscal year 1982 budget request for Higher Education Facilities Loan and Insurance is $1,879,000, a decrease of $300,000 from 1981. The requested $1,879,000 includes $1,350,000 for insufficiencies on the $100 million in sales of participation certificates authorized in 1968, and a permanent indefinite appropriation of $529,000 for insufficiencies on the $100 million in sales of participation certificates authorized in 1967. Although no funds for new loans are requested for 1982, other operating costs consisting of $31,480,000 in interest expenses to the Treasury and $67,000 in administrative expenses will be financed from receipts and other available balances.

College Housing Loans

The fiscal year 1982 request of $13.1 for this program will cover insufficiencies on participation certificates previously sold to provide capital to the fund. This amount, which is $1.4 million lower than the 1981 level, includes a $12.9 million annual appropriation and a permanent indefinite appropriation of $232,000. It is estimated that $71.5 million will be available in 1982 for new loan commitments.

Educational, Research, and Training Activities Overseas

The programs supported under this account are funded solely from foreign currencies held by the Treasury Department which are determined to be in excess of other requirements. No U.S. dollars are expended.

The 1982 request includes $1 million in excess foreign currencies for the Grants to American Institutionns program only, the same level as in 1981. This program has improved the quality of foreign language instruction in the United States and increased the number of world area specialists available in this country. These currencies will be used in Egypt, India and Pakistan in 1982. No funds are requested this year for the Research and Demonstration portion of the account, since the estimated carryover balance should provide adequate support for the remaining participants.

This concludes my opening statement. My colleagues and I will be happy to answer to any questions you may have.

TRIO PROGRAM

Mr. MEADOR. Dr. Sonnergren, do you want to respond?

Dr. SONNERGREN. Would you repeat your question?

Senator RUDMAN. I would be very happy to.

We are talking about the TRIO program, and I guess what I would really like is some feel for your evaluation of whether or not this program is setting out—is accomplishing what the legislation set out to have it accomplish, namely giving us meaningful evidence that we are giving handicapped people an opportunity to acquire and complete postsecondary education.

Dr. SONNERGREN. In the past 8 or 9 years there have been three evaluation studies conducted on these programs.

The first one, a longitudinal study in the upward bound program was conducted from 1972 through 1978. The results indicated that 96 percent of the students participating in this program were completing high school. In addition, 91 percent of those in the survey were going on to postsecondary institutions.

There was no marked difference between the comparability group as compared to the upward bound students in terms of how well they did in college; that is, their grade-point averages. But upward bound participants did, in general, persist longer in college and received much more in the way of financial aid.

The talent search study which was conducted between 1972 and 1976 addressed ways in which the program could be improved. As a result, new regulations were published in the mid-1970's which incorporated many of the study's recommendations.

Currently, we are conducting a study of the special services program. Some preliminary findings indicate that the retention rate of program participants in postsecondary education is higher than for a comparable group not receiving student service benefits. It indicates that, in fact, the tutoring and counseling efforts are showing some payoff.

In addition, I receive letters from people who have benefited from these programs. I have one that I brought along with me from a woman in Michigan, who is 23 years old and has multiple sclerosis. In the letter she relates all of the benefits that she received, and all of the things that she was able to do for other students in the special services program in which she participates.

These are examples of the impact that these programs are having.

VETERANS COST OF INSTRUCTION

Senator RUDMAN. Thank you.

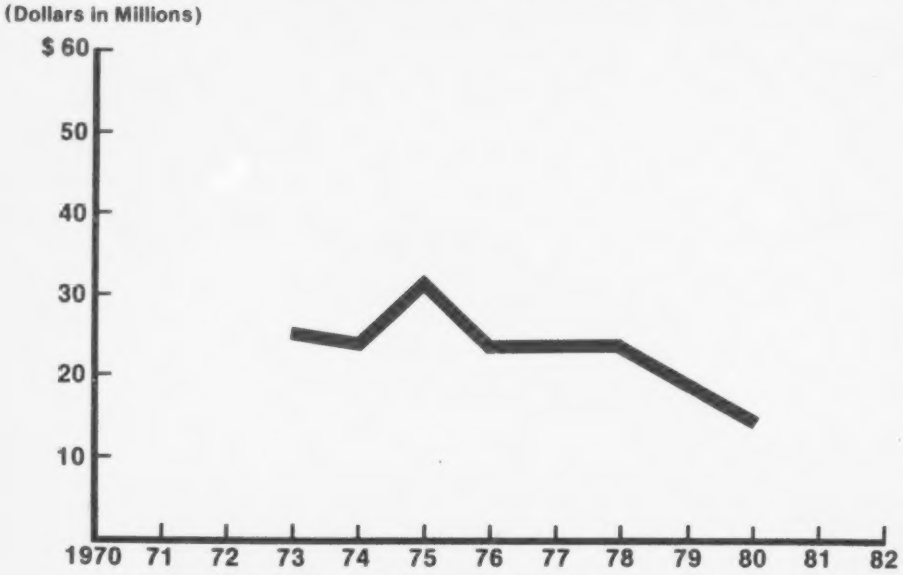
I want to go on to the VCIP program, veterans cost of instruction program, and ask someone on your panel just a question about that.

It is supposed to be an outreach program. As I guess we are all aware, the Carter administration has proposed elimination of the program.

I wonder if you know what the administration's position is on that program, and any comments you might have about the VCIP program.

Mr. FAIRLEY. No money is being requested for the program in fiscal year 1982 because of the declining veteran enrollment in postsecondary education.

[The chart follows:]



OFFICE OF POSTSECONDARY EDUCATION

Veteran's Cost of Instruction

NOTE: EXCEPT IN FY 1982, AMOUNT APPROPRIATED IS SHOWN. FOR FY 1982 AMOUNT REQUESTED IS SHOWN.

DEVELOPING INSTITUTIONS

Senator RUDMAN. Let's move on now if we might, to the strengthening of developing institutions.

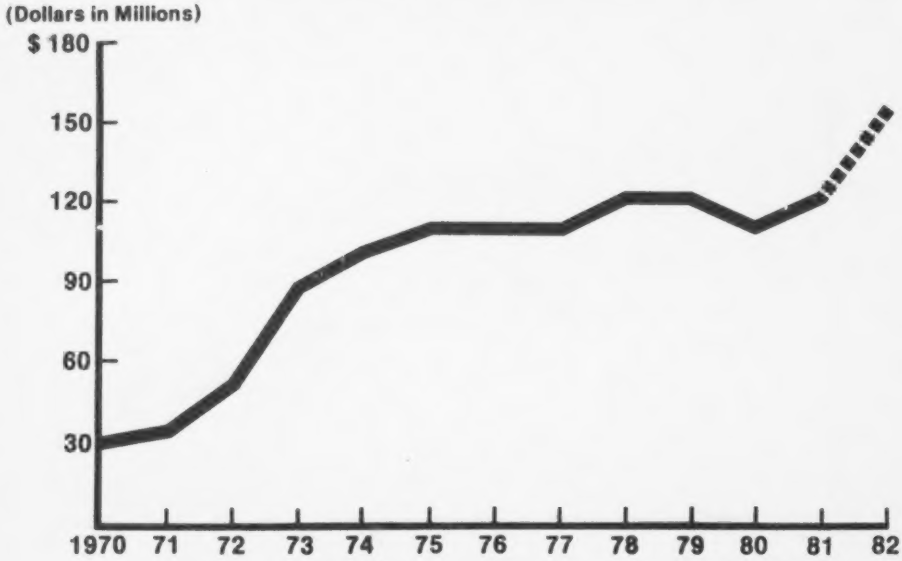
There's been a lot of criticism of that program, that it doesn't have specific goals; the definition of eligibility of institutions is vague.

I'm sure you are all aware of the criticisms of the program and I would like you to respond to those criticisms and tell us whether you think any of them are well-founded, and what we might do to respond to those. And, tell us about the program.

[The chart follows:]

OFFICE OF POSTSECONDARY EDUCATION

Strengthening Developing Institutions



NOTE: EXCEPT IN FY 1982, AMOUNT APPROPRIATED IS SHOWN. FOR FY 1982 AMOUNT REQUESTED IS SHOWN.

TITLE III PROGRAM

Mr. MEADOR. If I may, I would like to make a general statement, and then ask my colleague, Dr. Fairley, to provide more detail.

I am well aware of the comments that have been made concerning the title III program, although I have not been directly involved with the programs prior to assuming the position of Acting Assistant Secretary. Since my appointment, I have made every effort to see to it that the problems of the past are reviewed and analyzed and actions are taken to resolve past difficulties and problems.

I will ask Dr. Fairley who is directly in charge of the program if he would like to comment on the role that he is playing.

Senator RUDMAN. I wish he would.

Mr. FAIRLEY. Mr. Chairman, I have been with that program since July. We are trying to do a number of things to improve the program.

First, we have conducted a number of staff training programs to improve program administration. We have conducted technical assistance workshops for our grantees to assist them in administering title III at the institutional level.

We have developed a manual for project officers on the title III staff which sets out staff responsibilities.

We are developing new monitoring strategies to enable staff to undertake more frequent and effective monitoring.

We plan to identify and validate exemplary title III practices with the assistance of the Department's joint dissemination review panel.

A management information system is being developed to enable us to analyze and retrieve data about program operations.

These are examples of steps we are taking to improve program management.

I think everybody in the Department is aware of the fact that that program has had a bad history.

SUBMITTED QUESTIONS

Senator RUDMAN. Let me simply say before winding up this hearing today, that we of course have a number of questions for the record, and you will have those.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TITLE III - INSTITUTIONAL AID PROGRAMS

Senator Burdick: This question concerns Title III of the Higher Education Act. In North Dakota, we have a consortium of small colleges that have utilized Title III funds very successfully. The money has been used to fund over 90 Ph.D. degrees, 3,500 Travel Study awards, 500 Summer Fellowships, six career counselors, six basic skills instructors, six research assistants, and a visiting scholars program. It has meant that students and faculty in schools in rural, isolated areas have benefits and opportunities usually only afforded to those at much larger and more expensive schools. This has all been accomplished without the use of assisting agencies.

I want to go on record here as supporting this kind of aid. Do you see assistance of this type continuing to schools such as those in North Dakota with the reduced funding you anticipate?

Answer: The Reagan Administration's budget request for the Institutional Aid Programs totals $129,600,000, an increase of $9,600,000 over 1981. The increase will be used to support the new Challenge Grant program. The remainder will be used to support the more traditional programs of Parts A and B. Activities involving a cooperative arrangement among eligible instituions, such as the consortium in North Dakota, will continue to be eligible for funding under Title III.

SPECIAL PROGRAMS FOR THE DISADVANTAGED

Question: Special Services for the Disadvantaged, the so-called TRIO programs, funds a number of programs designed to aid the disadvantaged to pursue a postsecondary education. How do these programs target their services on disadvantaged students? For purposes of these programs, define "disadvantaged."

Answer: Students served by Talent Search, Upward Bound, Special Services for Disadvantaged Students and Educational Opportunity Centers must meet two requirements: (1) they must be low-income, which is defined as individuals whose family income does not exceed 150 percent of the poverty level as determined by the Bureau of the Census; and (2) they must be first-generation college students, defined as an individual neither of whose parents have completed a baccalureate.

Two-thirds of the students served in Talent Search, Upward Bound, Special Services and Educational Opportunity Centers must meet both criteria. The remaining one-third of the participating students must meet either the low-income or the first-generation criterion. Provision is made in the Special Services program to exempt eligible physically-handicapped students from both criteria.

For each program, funds are targeted on individuals who meet certain services requirements. For example, Talent Search participants must require counselling for postsecondary admission and assistance in securing student financial assistance for such admission; Upward Bound participants must require skills development and motivation for postsecondary admission; Special Services participants must require supportive services to enter, continue, and complete postsecondary education and must be enrolled at the grantee institutions; and Educational Opportunity Centers must serve areas having a 20 percent concentration of low-income individuals.

Finally, it should be noted that Talent Search projects serve individuals up to age 19. Educational Opportunity Centers serve adult populations but may serve younger individuals if Talent Search services are not available.

Question: What solid evidence do we have that these programs are helping students who otherwise would not do so, to complete a postsecondary education?

Answer:

Upward Bound

The Upward Bound Program has recently been examined in a systematic manner by the Research Triangle Institute of North Carolina. The study began in 1973-74 with a nationally representative sample of 3,710 Upward Bound participants and 2,340 comparable (in terms of sex, ethnicity, low-income status, and academic risk) nonparticipants in grades 10, 11, and 12. The results were based upon data collection in 1978-79 from these students.

The findings of the study include the following:

- Upward Bound participants did not graduate from high school at a greater rate than comparable nonparticipants. However, virtually all (i.e. 96 percent) these students did graduate.
- Upward Bound participants aspire to higher levels of education than comparable nonparticipants. Indeed, 54 percent of Upward Bound participants wish to obtain a graduate degree while only 38 percent of comparable nonparticipants hold these aspirations.
- About 91 percent of the Upward Bound participants entered some type of postsecondary education while only 70 percent of comparable nonparticipants entered.
- Of the students that entered postsecondary education, about 73 percent of Upward Bound participants attended a four-year college or university. The comparable rate for nonparticipants was 50 percent. Only 9 percent of Upward Bound participants attended a vocational/technical school in comparison to 22 percent of nonparticipants.
- Upward Bound participants more frequently attend institutions with highly selective admission requirements than comparable nonparticipants. About 58 percent of Upward Bound participants attend low selectivity institutions while 70 percent of comparable nonparticipants attend low selectivity institutions.
- Overall, Upward Bound had a positive effect on student persistence. Summed over all types of schools, Upward Bound participants maintain their enrollment for about one more term than comparable nonparticipants.
- Of Upward Bound participants who did not enter postsecondary education following graduation, 62 percent subsequently enrolled as compared to 36 percent of nonparticipants.

Special Services

The Department of Education has recently contracted a major study of the Special Services Program with the Systems Development Corporation of Santa Monica, California. The study is due to be completed in September 1981. However, preliminary results of the study have been made available. They indicate that:

- Disdvantaged students are most likely to complete their fist year of college when they receive counseling, basic skills instruction, and tutoring from a Special Services project.
- Students who receive a full complement of services (counseling, tutoring, and basic skills instruction) are half as likely to drop out during their first year as students who receive no services.
- Counseling services are particularly crucial to first year students.

Talent Search

There was study of the Talent Search program that was completed in 1975 by Research Triangle Institute. However, it was a descriptive study without a nonparticipating group of youths similar to those served by the program but who did not have access to the program's services. Therefore, an assessment of the program's impact on high school retention and college entrance cannot be done.

However, we do have the folowing statistics gathered from the 1978-79 final performance reports for Talent Search (the 1979-80 date should be available soon):

Total students served:	169,022
Accepted at a Postsecondary Institution - Total:	108,723
-- Accepted, but because of reporting date not yet attending classes:	(48,282)
-- Pursuing studies:	(60,441)
Applicants rejected from postsecondary admission:	1,329
Of those already pursuing studies as of reporting date (60,441):	
Attending a 4-yr. college	33,650
Attending a 2-yr. college	18,971
Attending a proprietary school	1,386
Attending a vocational school	4,776
Other	1,629
not reported	30

Educational Opportunity Centers

No evaluation study has been conducted for the Educational Opportunity Centers program. However, the summary data that has been reported to the Department show how many participants began or reentered postsecondary studies during a project year. The data also show the number of individuals who received services through the Center which would enable them to enter and complete a postsecondary educational program. The following chart shows the latest available data (program year 1978-79):

Centers funded:	22
Clients served:	69,159
Estimated no of clients who enrolled in postsecondary institutions:	27,762

Services Provided

	Number	% of total
-client contacts*	672,002	
-dissemination of information on postsecondary opportunities and financial aid	552,102	79.2%
-admissions and financial aid application assistance	37,204	5.3%
-counseling of nonpostsecondary clients	49,421	7.1%
-referrals	18,967	2.7%
-tutoring of postsecondary clients	7,886	1.1%
-counseling of postsecondary clients	16,425	2.4%
-other services to postsecondary clients	14,998	2.2%

*includes more than one contact for most clients

Question: What would be the negative impact if this appropriation were reduced by 20 percent? How would you distribute such a cut?

Answer: The revised budget includes $159,500,000 for the TRIO programs in fiscal years 1981 and 1982. A 20 percent reduction would bring the total funding level for TRIO down to $127,600,000. Given that all but $5,800,000 of the $159,500,000 available in 1981 is slated for continuation awards, a 20 percent reduction could have serious effects on the ability of the projects to effectively continue their activities. Average awards per project would have to be reduced not only below what was planned in 1981, but also considerably below what the projects received in their first year of funding in 1980.

In 1982, all Upward Bound and Special Services awards will again be for continuation projects. Since Talent Search and Educational Opportunity Centers grants will be new, the largest part of a 20 percent reduction in 1982 could be taken under these programs. Of course, it would result in considerably fewer Talent Search and Educational Opportunity Centers projects, but it would allow us to support Upward Bound and Special Services continuations at a more realistic level which would be more in line with the projects' 1980 awards, though even those awards were considered to be minimal.

BIOMEDICAL SCIENCES

Question: The Biomedical Sciences Program is designed to provide enhanced educational opportunities to minority students so that they can successfully pursue careers in medicine. This is the third year of this program, which enrolls 1,200 students. Of the 1,200 originally enrolled in 1980, how many are still in this program?

Answer: Grants were not made under this program until September of 1980. Therefore, the final selection of participants for each project has not yet been completed. For this reason, we do not yet have information on the attrition rates. However, for budget planning purposes, an attrition rate of 20 percent was assumed.

Question: Why should a special appropriation be made to help only 1,200 students?

Answer: During the testimony on H.R. 10736, the bill which authorized this program, in March of 1978, the need to develop a strategy to improve the lack of health professionals in medically underserved areas was discussed. The Committee resolved this issue by authorizing funding of the biomedical sciences enrichment programs for secondary school minority students, particularly from disadvantaged backgrounds. The program serves a dual purpose: (1) to identify individuals who would be willing to work in medically underserved areas and (2) develop a pool of minority students for biomedical training at the undergraduate and graduate levels.

Question: Given the intense competition to get into medical school, what prospects will these students have of actually pursuing a career in medicine?

Answer: The program requires that the individually funded projects work in close cooperation with graduate schools in health professions training. By linking potential admissions with project enrichment, it is anticipated that a significant percentage of the students will have a better chance of admission. Furthermore, the educational activities and the on-the-job experience should increase the likelihood of admission. In addition, not all of the students will be encouraged to enter medical school. There are many other careers in the realm of the biomedical sciences which do not necessarily require attendance in medical school, such as biological research, laboratory technician work, nursing, etc.

Question: How does this program relate to, or duplicate, similar health manpower programs in the Department of Health and Human Servies?

Answer: The programs sponsored by the Department of Health and Human Services are designed to assist the disadvantaged to enter professions beginning, for the most part, at the postsecondary level. A few projects begin serving students at the 12th grade level. The Biomedical Sciences program, on the other hand, begins to assist students at the 9th grade level. As a result, this program does not duplicate the programs of the Department of Health and Human Services.

VETERANS COST OF INSTRUCTION PROGRAM (VCIP)

Question: The Veterans Cost of Instruction program is a program of grants to colleges. Participating colleges are supposed to provide outreach, recruitment, and special educational services for veterans. The Carter Administration proposed the elimination of this program. Does the Reagan Administration also propose the elimination of this program? Why?

Answer: Yes, the Reagan Administration is also proposing that no funds be appropriated for this program. The Veterans' Cost of Instruction program (VCIP) was created in 1972 to respond to the special adjustment problems of Vietnam-era veterans. The peak year of veteran enrollment in postsecondary education was 1976 when there were approximately 910,000 enrolled veterans who were eligible for services under VCIP. By 1980, the number of eligible enrolled veterans had declined to 320,500. Projections indicate that eligible enrollment is likely to fall below 215,000 in 1982. It should also be noted that veteran enrollment in postsecondary education has declined to the point that the Veterans Administration has eliminated its Veterans Representatives on college campuses. It is the Administration's hope that the veterans still attending a postsecondary institution will receive assistance under traditional counseling and tutoring programs at the institution. Furthermore, the Upward Bound program, supported under TRIO, funds a number of projects designed especially for veterans.

STRENGTHENING DEVELOPING INSTITUTIONS

Question: The Education Amendments of 1980 changed the authorization for the Developing Institutions Program, and created three categories of grants: Strenghtening Institutions, Aid to Institution with Special Needs, and Challenge Grant program. What are the distinctions between these program?

Answer: While the Strengthening Institutions program (Part A) and the Aid to Institutions with Special Needs program (Part B) are similar in purpose and allowable activities, there are distinctions in four areas: duration of grants; set-asides; matching requirements; and eligibility.

Duration of Grants:

Grants under the Strengthening Institutions program can be of three durations: one-to-three year renewable grants; four-to seven year one-time only grants; and a one-year grant to prepare plans and applications.

Grants under the Aid to Institutions with Special Needs program can be two durations: one-to-five year grants and one-year grants to enhance the planning capacity of the institution.

Set-Asides:

There is a set-aside of 24 percent for two-year colleges under the Strengthening Institutions program. In addition, 25 perecent of the funds appropriated must be used for the one-time only four-to-seven year grants. Under the Aid to Institutions with Special Needs program there is a set-aside for both two-year colleges and traditionally Black colleges. The two-year colleges must receive at least 30 percent of the funds appropriated for this Part and the traditionally Black colleges must receive at least half of what they received in Title III funds during fiscal year 1979.

Matching requirements:

There is no matching requirement under the Strengthening Institutions program. Under the Aid to Institutions with Special Needs program, there is no match required for the first two years, a ten percent match in the third year, a twenty percent match in the forth year, and a thirty percent match in the final year.

Eligibility:

To be eligible to participate in the Strengthening Institutions program, an institution must meet established quantitative criteria based on its educational and general expenditures, and Pell Grant awards.

To be eligible to participate in the Aid to Institutions with Special Needs program, an instution must meet established quantitative criteira based on its educational and general expenditures, and need-based student aid awards made under Title IV of the Higher Education Act. In addition, institutions must have at least 100 full-time equivalent students.

Challenge Grants:

The Challenge Grant program, first authorized in the Education Amendments of 1980, differs significantly from the other programs authorized in Title III. This program provides grants which must be matched on an equal basis by the institution. These grants can be used for any purpose which is consistent with the purpose of the Title. Any institution which is eligible to participate in Part A or Part B is eligible to participate in the Challenge Grant program. In addition, graduate and medical schools of otherwise eligible institutions are also eligible for the Challenge Grant program.

Question: Which instituions are eligible for which grants?

Answer: It is estimated that between 650 and 750 institutions may qualify for one or more of these programs depending upon how the eligibility criteria are defined in regulations. Until the regulations are completed, however, it is not possible to determine which particular institutions would be eligible to participate in any or all of the three programs.

Question: What solid criteria establish eligibility?

Answer: To participate in any of the Title III programs, institutions must meet the following criteria: (1) be legally authorized to provide a bachelor's degree or be a junior or community college, and (2) be accredited for at least four years by a nationally recognized accrediting association or agency, or be making reasonable progress toward becoming accredited; or be a branch campus of an institution of higher education which meets these requirements. The requirement that an institution be accredited for at least four years may be waived for Parts A and B if the institution has substantially increased higher education opportunities for Spanish-speaking people, individuals living in rural areas, low-income individuals or American Indians, or has traditionally served substantial numbers of Black students.

To be eligible to participate in the Strengthening Institutions program (Part A), institutions must enroll a substantial percentage of students who are receiving Pell Grants and the average grant to these students must be high. In addition, the educational and general expenditures per full-time equivalent student must be low in comparison with institutions offering similar instruction.

To be eligible to participate in the Aid to Institutions with Special Needs program (Part B), an institution must enroll at least 100 full-time equivalent students and meet the following criteria: Enroll a substantial percentage of students receiving need-based assistance under Title IV (SEOG, NDSL, CWS, and Pell Grants), and the average amount of such assistance must be high. The educational and general expenditures per full-time equivalent student must be relatively low; a waiver of this factor may be requested. In addition, the Secretary may consider other factors provided for in the statute.

To be eligible to participate in the Challenge Grant program (Part C), an institution must be eligible to participate in the Strengthening Institution program or the Institutions with Special Needs program; or be a graduate school or medical school of an otherwise eligible institution.

Question: Why are three distinct programs necessary?

Answer: The Education Amendments of 1980 authorize three distinct programs: the Strengthening Institutions program; the Aid to Institutions with Special Needs program; and the Challenge Grants program.

The Part A Strengthening Institutions program and the Part B Aid to Institutions with Special Needs program were authorized in recognition of the need to limit participation in these programs to a specific period of time while at the same time providing a means to address the unique and varied problems which face these institutions.

The Part C Challenge Grant program, differs substantially from these two programs in that it provides a source of stability and financial assistance for institutions which can identify matching funds. The purpose of these grants is to encourage the participating institution to become financially self-sufficient by developing independent means of raising funds.

Question: How will you avoid institutions applying for all three kinds of grants to cover themselves at grant time?

Answer: There is nothing in the law to prohibit an institution from submitting an application for all three programs. However, the question of whether an institution may be funded under more than one authority is currently being debated as the Department promulgates regulations for these programs.

Question: There has been widespread criticism of the Strengthening Developing Institutions Program. It has been charged that its goals are vague, that there is little definition of institutional eligibility for grants, that grants are awarded subjectively and haphazardly, and that there is little accountability for the use of grant funds by recipient institutions. How do you respond to these very broad and very serious critiques?

Answer: The Department of Education and Title III program administrators have addressed each of the recommendations in the General Accounting Office's Report of February 13, 1979 on Title III. As of October 30, 1980, an updated report was submitted to the Assistant Inspector General for Audit of the Education Department indicating that each recommendation had been or was in the process of being implemented.

In addition, new legislative requirements of the Education Amendments of 1980 address many of the earlier criticisms concerning the vagueness of the goals and eligibility criteria for Title III.

Question: What steps have been taken to improve the management of the program? Please be specific.

Answer: A number of constructive steps have been taken in the past year to improve the management and operations of the Title III program including:

- Assignment of additional qualified personnel:

  1. Both branch chief positions have now been filled.
  2. Positions have been posted and are being filled to bring the total number of professional staff up to the authorized personnel ceiling.

- Staff training:

  1. In the Fall of 1980, the entire professional staff participated in a training program designed to assure that all staff shared a common information base on higher education. The training covered such topics as trends and issues in higher education, an overview of agency progams affecting institutions of higher education, the congressional perspective on Title III, and agency requirements for administering discretionary grants.
  2. Individual staff members have participated in various internal and external training programs to improve or develop their job-specific skills.

- Monitoring:

  In order to improve the program's monitoring capability in view of limited financial and personnel resources, the staff of the Program Operations Branch has developed:

  1. A project officers manual that sets forth:
     - -- Specific tasks of Title III project officers, and
     - -- A tracking system for use in monitoring assigned projects.
  2. A conference monitoring manual.

Conference monitoring is an alternative approach to on-site visits which has been utilized as funds for travel, etc., have been reduced in past years. The major differences are: (1) a conference monitoring review of a project is generally completed in one day as opposed to two-three days; (2) the personnel of the grantee institution are, for the most part, interviewed at an off-campus location convenient to all conference participants; and (3) two to five grantee institutions may participate in a monitoring conference at a single site.

Question: The Strengthening Developing Institutions Program provides grants to assist postsecondary institutions which serve large numbers of disadvantaged students. These grants are designed to improve management and fiscal operations at these institutions.

Given current demographic trends which show a declining college population, it is estimated that many institutions, particularly small private colleges, might collapse in the coming years.

Why should the Federal government spend large sums of money to keep open so-called "developing institutions" when many well run private colleges will probably fall by the wayside?

Answer: Since the passage of the Elementary and Secondary Education Act and the Higher Education Act in 1965, increasing the educational opportunities of low-income and minority students has been a national priority. Historically, Title III has been regarded as the primary means of providing assistance to those institutions that enroll and graduate a significant number of disadvantaged students. Congress, in reauthorizing this program in the Education Amendments of 1980, recognized the program's importance by stating that developing institutions "play an important role in the American system of higher education, and there is a strong national interest in assisting them is solving their problems and in stablizing their management and fiscal operations." (Section 301(a)(4))

The purposes of this program are to improve institutional management and academic development and thereby increase educational opportunities for the low-income and minority students of the nation. If this program were not supported, and such institutions closed, many disadvantaged students would not have access to a postsecondary education.

Question: Since the goal of Federal policy is to support integration, why should the Federal government continue to foster a separate class of institutions?

Answer: A developing institution, by definition, is not necessarily an institution with a predominant minority enrollment. There are currently fewer than 250 institutions of higher education in the nation with a predominant minority enrollment--Black, Hispanic, or Indian--and not all of which meet the eligibility criteria for the Title III programs.

The purpose of this program is to help institutions that serve low-income persons. The program is broader in scope than supporting only minority institutions, and, therefore, does not foster a separate class of institutions.

COOPERATIVE EDUCATION

Question: The Cooperative Education concept, combining a student's academics with work expereince, appears to be a sensible idea. However, only 2 percent of American college students participate in a Cooperative Education program. How long has the Federal government been funding Cooperative Education?

Answer: Fiscal Year 1981 will complete eleven consecutive years of Federal funding of the Cooperative Education Program.

Question: Given the low participation rate of students, can Federal participation in and appropriations for Cooperative Education be called a success?

Answer: Yes, the involvement of the Federal Government has been successful. There are currently 949 operational Cooperative Education programs in the United States. The majority of these programs have been initiated in the last eleven years, primarily as a direct result of Federal support. The total number of students participating remains small because only a handful of institutions offer the opportunity for cooperative education to all students at the institution. The majority of cooperative education programs only offer the experience to students in a particular department or discipline, which may be relatively few in many institutions.

Question: What steps is the Department taking to broaden participation in Cooperative Education programs?

Answer: The Department initiated a new strategy in fiscal year 1979 of supporting large scale, institution-wide demonstration projects designed to increase student participation in Cooperative Education programs by making cooperative education available to all students attending the institution rather than being limited to a single department within an instituion.

INTERNATIONAL EDUCATION

Question: In what ways is the Department of Education using international education as a means to assist U.S. foreign policy?

Answer: Neither the Department of Education nor the international education programs it funds are involved in the conduct of foreign policy. However, many persons trained or otherwise served by the Department's international education programs are consulted or employed by U.S. foreign service and intelligence agencies.

Particularly in periods of international crisis, area specialists at International Studies Centers serve as important, even unique, national resources by providing advice and information to persons involved in foreign policy formulation. For example, center faculty regularly testify on international matters before both Houses of Congress, and lecture on a regular basis at the State Department, the Foreign Service Institute, and the National College of War. They also conduct briefings for intelligence agencies and the Joint Chiefs of Staff. In addition, upon their return from conducting research in foreign countries, center faculty members brief State Department officials and Administration advisors.

Question: What level of funding does the Reagan Administration plan to request for international education. Why?

Answer: For fiscal year 1981 and 1982, the Administration seeks $20 million for international education. This amount will enable the continuation of all current international education programs at their 1980 level. It does not, however, permit the initiation of programs authorized by the Education Amendments of 1980. The reduced level for these programs is just one part of the necessary budget cuts which face all governmental programs and services in our effort to lessen or solve the Nation's economic problems.

Question: What coordination is there between the Department of State and the Department of Education regarding international education?

Answer: The Department of Education works closely with the Department of State in the selection of overseas projects. For example, binational commissions and U.S. embassies review project proposals for feasibility, political sensitivity, and cost estimates. In addition, U.S. embassies provide assistance to grantees in obtaining local research permits and recruit local educators for assignment as curriculum consultants.

In addition, the Department of Education participates actively in a government-wide Language Roundtable which meets monthly to exchange information regarding foreign language training, materials, and resources needs. It is an effort on the part of many government agencies including the Foreign Service Institute, Defense Language Institute, CIA Language School, International Communications Agency, Agency for International Development, National Security Council and National Institute of Health to share information and materials and to avoid duplication of effort.

Question: The International Education Program is designed to increase the number of Americans trained in foreign languages and area studies. It is generally agreed that there is a shortage of such professionals in the United States. What overall strategy guides the use of funds in this area?

Answer: The overall strategy is to develop the knowledge and skills of U.S. students and scholars in modern foreign languages and area studies, particularly with regard to the non-Western areas of the world. One of the most important goals of these programs is to train and sustain national expertise in the uncommonly taught languages and areas of the world. This is largely accomplished through the support of the advanced international centers, as well as through support of fellowships at these centers and overseas. In addition, the Department encourages the internationalization of curriculum and materials throughout all levels of the educational system. This is accomplished through support of undergraduate programs as well as the international understanding programs. Equally important, however, are the outreach activities carried out by the centers. By using the existing professional expertise that is developed through our support of advanced national centers, international understanding is disseminated through outreach efforts to undergraduate courses, smaller colleges and institutions, elementary and secondary schools, and community and business organizations.

Question: How much money is targeted on undergraduate educaton?

Answer: The revised 1982 budget includes $1 million for undergraduate international studies programs which would support a total of 23 projects.

Question: What real impact is Federal spending in the area of international studies having in increasing the number of Americans trained in this field?

Answer: The number of specialists trained in foreign languages and area studies has increased steadily during the past decade. A comparison of the number of degrees awarded in 1968-69 by 107 International Studies Centers and in 1978-79 by 80 Centers shows an increase in the awarding of bachelor's degrees and doctorates, and a slight decrease in the master's category. It should be noted, however, that the average number of degrees awarded per center, in each degree category, increased as shown below:

	1968-69	1978-79
No. of Centers	107	80
BA's awarded	5358	7871
Average No. BA's Per Center	50.0	98.4
MA's awarded	2110	2055
Average No. MA's Per Center	19.7	25.7
Ph.D.'s awarded	616	723
Average No. Ph.D's Per Center	5.7	9.0

OVERSEAS PROGRAMS

Question: In fiscal year 1981, the Federal government will pay for the foreign training and research of approximately 1,000 individuals. Will this level of funding be continued in fiscal year 1982?

Answer: The revised fiscal year 1982 request of $3 million is the same as the fiscal year 1981 revised request. This level will support an estimated 515 participants rather than the 1,000 that were projected under the Continuing Resolution. These participants will be supported under Group Projects Abroad, Faculty Research Abroad, Doctoral Dissertation Research Abroad, Foreign Curriculum Consultants, and Special Bilateral Projects.

Question: In which countries is foreign study subsidized? Please provide a list of countries where this appropriation will pay for the training of Americans.

Answer: The actual countries in which projects are conducted each year is dependent on the number and relative quality of proposals received in the annual competitions for funds. However, in fiscal year 1980, projects were conducted in the following countries:

Africa: Benin, Botswana, Comoro Islands, Ethiopia, Ghana, Kenya, Lesotho, Mal, Niger, Nigeria, South Africa, Senegal, Sierra Leone, Tanzania, Upper Volta, Zaire.

Latin America: Brazil, Chile, Costa Rica, Ecuador, Guatemala, Mexico, Peru, Venezuela.

East Asia: China, Hong Kong, Japan, Korea, Taiwan.

Southeast Asia and Pacific: Indonesia, New Zealand, Thailand.

Eastern Europe: Bulgaria, Czechoslovakia, Hungary, Poland, U.S.S.R, Yugoslavia.

Western Europe: Finland, France, Greece, Italy, Sweden.

Near East: Egypt, Israel, Jordan, Morocco, Syria, Tunisia, Turkey.

South Asia: India, Nepal, Pakistan.

Question: How is it decided where foreign study will be encouraged?

Answer: The staff of the Office of International Education proposes the world area allocations based on available information regarding a number of criteria including the following: degree of cultural and linguistic diversity of the area; proportion of world area population; number of specialists in the area and their competency; available language instruction in U.S. institutions and average class size; and need for support. Once approved by the Assistant Secretary for Postsecondary Education and the Secretary of Education, these proposed allocations are announced in the Federal Register along with other published funding criteria. The actual number of projects funded per country and the percentage of funding allocated to it are also dependent on the number and relative quality of proposals received for a world area or country in a given competition.

Question: Aside from increasing the number of academics trained in foreign languages and area studies, what benefits accrue to U.S. society from this study abroad?

Answer: Firsthand experience in a setting abroad is an important part of professional development for an educator. In addition, there are many benefits for American schools and the American people as a result of these overseas educational experiences. Perhaps the most significant benefit is that these educators, after returning to the United States, share their knowledge and experiences widely with persons involved in U.S. foreign policy formulation, with civic groups and professional organizations, and with other teachers and students in their local school districts or colleges. Thus, there is an important impact on the government's and the public's understanding of other cultures, as well as an opportunity to improve curriculum and instruction in U.S. classrooms.

EDUCATIONAL OUTREACH PROGRAMS

Question: The Education Amendments of 1980 consolidated three old authorities into one program, the Educational Outreach Program. The three old programs were: University Community Service and Continuing Education Programs, Educational Information Centers, and State Postsecondary Education Commissions. The Carter Budget for fiscal year 1981 requests rescissions of most of these funds, and would eliminate the Educational Outreach Programs entirely in fiscal year 1982. Does the Reagan Administration also support elimination of these programs? Why?

Answer: Yes, the Reagan Administration concurs with the previous Administration's decision not to request funds for this program in fiscal year 1982. Potential recipients of grants under these programs, facing the prospect of declining enrollments of traditional-aged students, are already taking steps to increase the postsecondary education participation of the underserved adult population without the encouragement of Federal funding.

AID TO LAND GRANT COLLEGES

Question: Does the Reagan Administration concur in the earlier budget proposal to end the Aid to Land-Grant College appropriation? Why?

Answer: The Reagan Administration agrees that no funds should be appropriated for this program in fiscal year 1982. The Morrill-Nelson permanent appropriation of $50,000 per State is a very minor source of funds for the 73 participating land-grant colleges and universities which include some of the strongest and most prestigious institutions of learning in the country, including MIT, Cornell, and most of the major State universities. The smaller and less well endowed land-grant institutions, particularly the predominantly Black land-grant institutions in the South, will continue to be eligible for assistance under the Institutional Aid Programs authorized by Title III of the Higher Education Act.

CONSTRUCTION

Question: Would you please outline your procedures for granting repayment moratoriums to colleges for construction loans made under Title VII of the Higher Education Act?

Answer: The borrower is required to submit a request for the moratorium in writing supported by a Resolution of the Governing Board, authorizing the request to be made. Evidence of a present inability to pay must be supported by such information as an audited financial statement, current enrollment and budget figures, etc. Also, the borrower must support the request by furnishing an acceptable repayment plan for the amounts in arrears. However, the plan can be deferred if it cannot be reasonably projected at that time, but satisfactory assurance is given that a plan will be developed.

If it is determined that the moratorium request can be approved, the borrower and the Trustee bank handling the loan are notified by letter to this effect. The period of the loan covered by the moratorium cannot exceed one year, so that if further coverage is needed, an updated, supportable request must be furnished in respect to subsequent payments. The letter approving a moratorium provides that notwithstanding the approval, the borrower's failure to pay constitutes an event of default under the terms of the trust indenture, and the Trustee bank is advised to refrain from exercising any of the remedies available to the bondholder (Government) as a result of the default, unless subsequently notified otherwise. The Government may, upon 30 days written notice to the Trustee and the borrower, reactivate the rights of a bondholder and the Trustee by virtue of the default.

Question: How many institutions, how many loans and how much money is involved in the loans for which you have granted repayment moratoriums?

Answer: There are 42 institutions which currently have approved loan moratoriums, involving 52 loans. The amount of principal due on these loans (which is payable over the next 20 or 30 years) is $35,517,941 of which $3,965,177 is delinquent. Delinquent interest on these loans is $3,693,463.

Question: On the average, how long does an institution granted a moratorium remain in that status?

Answer: They remain approximately 5 years. However, repayment agreements have been reached on about 34 of the 42 loans in a moratorium status, and 31 have already resumed payment. They will, however, remain in a "moratorium" status until all delinquencies are cured. If the repayment agreement accepted by the Government permits the institution to return the loan to a current status over an extended period of time, the institution technically would be considered as being in moratorium status during the entire period.

Question: Despite the statutory restriction limiting these moratoriums to borrowers temporarily unable to repay, have you granted moratoriums to borrowers who probably will never be able to repay?

Answer: We have, in some instances, granted moratoriums to borrowers whose ultimate ability to repay was very doubtful. However, we have felt compelled to grant such consideration as long as the borrowing institution was able to function as an institution of higher education. The moratorium serves not only as a method of notifying the borrower that the Government is granting a temporary deferment, but it also serves as a means by which the Trustee bank is officially requested by the Government (as the sole holder of the bond or note) not to exercise the options open to the Trustee under the trust indenture to enforce collection on the loan, i.e., foreclosure.

More specifically, we have not been faced with a situation where a borrower has requested a moratorium when no possibility of collection appeared likely. All loans in default have been to private institutions, and the security for the loans in every instance has been a first mortgage on the building and the project site. Should an institution cease to function, all or a portion of the outstanding loan would be collectible through a foreclosure proceeding.

Question: How do you coordinate the construction activities carried out under Title VII of the Higher Education Act with those funded under the College Housing Loan Program?

Answer: At the present time, the two programs are separate branches within the same Division, and accordingly, program plans and activities can be easily coordinated. It is important to note, however, that the two programs have distinct goals and objectives. Moreover, the activities carried out under Title VII of HEA pertain only to academic facilities while those under the College Housing Loan program are limited to student and faculty housing.

The College Housing Loan program has just recently been transferred to the Department of Education and efforts are now being made to simplify program procedures.

ARCHITECTURAL BARRIERS REMOVAL

Question: What steps have been taken to allocate available funding for architectural barriers removal as required of Federal grant recipients under Section 504 of the Rehabilitation Act of 1973?

Answer: The $10 million made available for fiscal year 1981 has not yet been allocated to the States. The Administration is proposing these funds for rescission in 1981. The $10 million, if made available, would provide two thirds of the States with less than $150,000. After the allocation to the States, institutions would then compete for funding within their State. The administrative burden, therefore, would be sizeable, yet the amount an institution would receive would necessarily be very limited.

Question: How much have institutions of higher education spent thus far to comply with the architectural barriers removal provisions?

Answer: There are no specific figures available with regard to the amounts already expended in this area. However, based on correspondence and discussions with various groups within the higher education community, it appears that considerable progress toward compliance has been made at many institutions. In addition, a number of States over the next several years will be allocating sizeable sums for architectural barrier removal within their capital improvement budgets.

GRADUATE SUPPORT

Question: The Education Amendments of 1980 authorize several new graduate programs (fellowships for Graduate and Professional Study and the National Graduate Fellows Program for arts and humanities). Do you plan to request fiscal year 1982 funds for the these programs?

Answer: Prior to the reauthorization of the Higher Education Act in 1980, Title IX, Part B consisted only of the Graduate and Professional Opportunity fellowships. The Education Amendments of 1980 authorize a new Title IX, Part B which consolidates these fellowships with those previously authorized in Title IX, Part C and D, namely fellowships for Public Service Education and Domestic Mining and Mineral and Mineral Fuel Conservation.

The revised fiscal year 1982 budget includes $11 million, the same amount as in fiscal year 1981, for the Fellowships for Graduate and Professional Study program. This amount would support an estimated 786 fellows in their second, third, or fourth year of advanced study, and about 446 new fellows. No funds are requested for the Public Service and Domestic Mining fellowship categories or for the newly authorized National Graduate Fellows program.

Question: What is the Department doing to encourage minorities to participate in federally-supported graduate programs?

Answer: The Fellowships for Graduate and Professional Study program awards fellowships to minority and women students to study at the highest levels of preparation for careers in the national interest. Currently, there are over 1,000 such students supported in their first, second, or third year of study.

In addition, the Department publishes the brochure, Selected List of Postsecondary Education Opportunities for Minorities and Women. The publication provides specific information on loans, scholarships, and fellowship opportunities. Also included is general information on how and where to seek out general assistance to prepare for and to pursue educational and career goals. The publication is distributed widely as part of this Department's effort to encourage minorities and women to participate in postsecondary education.

Question: Will there be any overlap of these programs with those sponsored by the National Science Foundation?

Answer: There will be little or no overlap among the programs supported by the National Science Foundation and those supported by the Department of Education. Although the National Science Foundation does sponsor a minority fellowship program, it is very small, awarding about 50 new fellowships a year, in contrast to the more than 550 new fellowships that are expected to be awarded under the Fellowships for Graduate and Professional Study program in fiscal year 1981.

Question: The Education Amendments of 1980 combined three old authorities into the new Graduate Support program. The old authorities were: Graduate/Professional Educational Opportunities, which were fellowships to encourage women and minorities to compelte their doctoral studies in fields in which they are under-represented; Public Service Fellowships and Mining Fellowships. The Carter budget proposed no new funds to pay for Mining or Public Service fellowships, but would continue and increase funding for fellowships previously funded under the Graduate/Professional Educational Opportunities authority. What level and kind of budget support will the new Administration give the Graduate Support program?

Answer: The Reagan Administration is requesting $11 million, the same amount as in fiscal year 1981, to support the Fellowships for Graduate and Professional Study Program. This amount would provide support for an estimated 786 continuation fellowships and 446 new fellowships to minorities and women in fields in which they have traditionally been underrepresented. No funds are requested for the Public Service or Domestic Mining fellowship categories.

Question: Does the Administration plan to eliminate support of Mining and Public Service Fellowships, as the Carter budget did? Why?

Answer: The Reagan Administration is not requesting fiscal year 1982 funds to support Mining and Public Service Fellowships. In addition a rescission of the funds appropriated in 1981 is proposed.

The number of graduate students in preparation for public service careers continues to increase. In 1978, the National Association of Schools of Public Affairs and Administration (NASPAA) reported that a total of 7,990 full-time graduate students and 16,846 part-time graduate students were enrolled in 147 institutions of higher education. This enrollment of 24,836 students in 1978 is contrasted to 19,731 full and part-time students in 1975 and 12,600 in 1973.

The number of graduate degrees awarded in 1978 was 6,616 compared with 4,407 reported in 1975 and 3,017 in 1973. We beleive, therefore, that there is an adequate supply of well-qualified professionals being prepared for public service positions. As a result, further Federal intervention in this area is not needed.

In the field of Domestic Mining, according to the Department of Labor's "Occupational Outlook for College Graduates, 1978-79 Edition," the employment of metallurgical, mining, and petroleum engineers is expected to increase faster than the average for all occupations through the mid-1980's. However, the demand can be met without this particular Federal fellowship program. The marketplace appears to be a sufficient incentive to encourage students to enter mining related fields. Furthermore, the mining and minerals industries can be expected to pick up a larger share of the training costs as this program phases out.

In addition, other Federal agencies, such as the Department of Interior, the Department of Energy, and the National Science Foundation have significant involvement in providing support for research and training in mining and other energy related fields.

GRADUATE SUPPORT - "LAW FELLOWSHIPS"

Question: The Budget justification for graduate support shows that 15 percent of all fellowships awarded in fiscal year 1980 were under the category "law." Were these fellowships awarded to support law school education?

Answer: Program statistics show that of the 1,007 Graduate and Professional Opportunity Fellowships awarded in fiscal year 1980, 119 or 11.8 percent were to support students in law school. Of this total, 71.4 percent of the fellowship recipients were Black, 21 per cent were Hispanic and the balance was distributed among other under-represented groups.

Question: In what way do these awards overlap with grants made under the Legal Training for the Disadvantaged Program?

Answer: These fellowships do not overlap with grants made under the Legal Training for the Disadvantaged Program (CLEO). Although a small stipend is provided to participants during law school, CLEO is primarily a program of pre-law preparation to help graduating college seniors who wish to become lawyers, but are unable to gain admission to law school under prevailing admissions criteria due to economic disadvantages, marginal academic credentials or both. The intensive pre-law training occurs at summer institutes prior to entrance to law school. Under the Graduate and Professional Opportunities fellowship program, fellowships are awarded to talented disadvanataged and minority students who have traditionally been underrepresented in law school and the legal profession. The fellowships support the students while enrolled in law school.

Question: Most capable lawyers are able to earn a decent living, whereas many people with doctorates do have a tough time finding work. Why should the Federal government support law school education at all?

Answer: The purpose of the Graduate and Professional Opportunities Fellowship Program is to encourage minorities and women to prepare for academic and other careers in which they have been traditionally underrepresented. Clearly, law represents one of those fields. Only 3 percent of the attorneys in the country are minorities. The fellowships are awarded to students to assist them in the pursuit of graduate education in the study of law. Without financial support, many of these students would be unable to pursue advanced study in the field of law.

LEGAL TRAINING FOR THE DISADVANTAGED (CLEO)

Question: The Legal Training for the Disadvantaged Program, (the so called CLEO program), provides stipends and support services for disadvantaged students to help them complete law school. How are students chosen for CLEO?

Answer: Staff members from the Council on Legal Education Opportunity (CLEO) visit numerous college campuses in order to publicize this program, particularly those institutions serving large numbers of disadvantaged and minority students. Students are then selected to participate in the program by the CLEO National Office upon submission by the student of an application. Those selected come from economically disadvantaged backgrounds and have marginal academic qualifications, as measured by their scores on LSAT tests and their undergraduate grade-point average. Those selected participate in the CLEO Regional Summer Institutes which provide a six week intensive program to provide students with the skills necessary to succeed in law shcool. The summer programs include courses derived from traditional law school curricula as well as sophisticated writing courses.

Question: What success is the program having? How is this measured?

Answer: Of the 2,015 students who completed the CLEO Summer Institute programs and entered law school between 1968 and 1976, 1,410 or 70 percent have successfully completed 3 years of study and have graduated from law school. A total of 605 have passed the bar examination while 81 have failed the bar examination. These figures represent an 88 percent success rate for known bar performance. Information on another 724 graduates is not yet available, but the CLEO National Office is presently conducting an extensive survey of all CLEO fellows to gather more complete data. Limited information concerning the current employment of CLEO Fellows indicates that they are presently engaged in a broad spectrum of legal and law-related activities, including judgeships, teaching of law, legal services, as well as representing their communities in the political, economic, and social arenas. Additional information regarding current employment data should be available in the near future.

LAW SCHOOL CLINICAL EXPERIENCE

Question: Does the Reagan Administration plan to terminate the Law School Clinical Experience Program, as the Carter budget does? Why?

Answer: Yes, the revised budget also proposes to rescind funding for the Law School Clinical Experience program in 1981 and proposes zero-funding for fiscal year 1982. When initially funded in 1978, this program was to have supported one-time only demonstrations to stimulate accredited law shcools to establish or expand clinical training programs for law students in the actual practice of law. The Federal objective to demonstrate the value of clinical experience in the education and training of law students has been met and additional funding is not required. Furthermore, private groups have also demonstrated the importance of clinical legal experience. For example, the Ford Foundation-sponsored Council on Legal Education for Professional Responsibility, Inc. (CLERP) has spent approximately $7,000,000 in past years to support the demonstration and development of approximately 100 clinical legal education programs. Now that the concept of clinical legal training has been demonstrated, it should be the individual institution's responsibility to support the operation of these programs.

HIGHER EDUCATION FACILITIES LOAN AND INSURANCE

Question: According to the FY '82 Carter Budget justification, unless language in the FY '81 House Appropriations Bill permitting loans of $25 million is deleted, an appropriation of $20 million will be required. Why is this so? Please be specific.

Answer: This is a very complex matter and, to understand it, some background on the mechanics of the Higher Education Facilities Loan Account is needed. The Loan Account is made up of two sources of capital as follows:

(1) Capital derived from the public sale of Participation Certificates (PCs) by the Government National Mortgage Association (GNMA).

(2) Capital appropriated by the Congress.

Loans made from PC capital are pledged to GNMA as security for the PCs. All principal and interest collected on these loans are transferred to GNMA for payment of interest on and to redeem the principal amount of PCs as they mature. Because the interest rate on the PCs (5 percent to 6 percent) exceeds the interest rate (3 percent) on loans made from the Loan Account, interest insufficiency appropriations are authorized annually to maintain the long-term integrity of this portion of the Loan Account.

In accordance with Section 733 of the Higher Education Act, loans made from appropriated capital are, in effect, borrowed from the Treasury Department at current Government borrowing rates as determined annually by the Secretary of the Treasury. Accordingly, with sharply increasing Treasury rates in recent years, the annual interest payment to the Treasury Department is greatly exceeding the total collections of principal and interest (3 percent) on the outstanding loans made from appropriated capital. This annual deficiency, for years, has been charged against the unobligated balance of appropriated capital in the Loan Account which represents the residue of a $150 million appropriation in 1969 which was frozen and never loaned out. Had these funds not been available, annual appropriations probably would have been required to cover the annual deficits as well as other minor costs required in connection with the management of the loan account.

Below is a projection of the cash balance in this account through the end of fiscal year 1982 without awarding the additional $25 million in new loans.

Higher Education Facilities Loan and Insurance
Decrease in Unobligated Balance

Unobligated Balance 9-30-80		$43,500,000
Total Expenses 1981 (This includes interest expenses to Treasury and GNMA, loan servicing and administrative expenses, and transfer of principal to GNMA.	($ 47,710,000)	

Total Receipts 1981	($ 33,603,000)	
(The bulk of this is made up of principal and interest payments from institutions, but also includes a small interest insufficiency appropriation related to technical provisions of GNMA borrowings $2,212,000.)		
Deficit	(-$ 14,107,000)	-$14,107,000
Unobligated Balance 9-30-81		29,393,000
Total Expenses 1982	($ 56,010,000)	
(Increase over 1981 is due primarily to a mandatory increased payment to GNMA for amortization of the principal)		
Total Receipts	($ 33,309,000)	
Deficit	(-$ 22,701,000)	- 22,701,000
Unobligated Balance 9-30-82		$ 6,692,000

If the additional $25 million in loans is awarded, the cash balance at the end of 1982 will be a deficit of $18,308,000 plus the additional deficit created by the fact that Treasury interest at approximately 11.25 percent will begin to accrue on the $25 million, while interest at only 4 percent will accrue on the new loans. Accordingly, an appropriation will be required to cover the deficit and enable the Department of Education to meet its obligations under the Loan Account.

It is the appropriated capital side of the Loan Account which is creating the unexpected drain on the unobligated cash balance. This drain is largely dependent on the annual Treasury interest rates. A year ago for example, based on a Treasury rate of 9 1/8 percent, it was anticipated that the annual interest expenses to the Treasury would continue to exceed annual collections of interest and principal by diminishing amounts until about 1985 when the Treasury interest expense on the then outstanding principal amount of loans would be equal to the annual loan collections. At that time, it was expected that the fund balance would be about $30 million and would generally begin to increase in subsequent years as the annual Treasury interest expense decreased below the annual collections. However, the increase in the Treasury rate to 11 1/4 percent sharply increased the annual deficit, placing an unanticipated additional drain on the fund balance and further advancing the date when the loan collections and Treasury interest expenses would equalize.

The above principal may best be illustrated by reviewing a typical loan under this program. For example, an average loan would be for $1 million for a term of 30 years at 3 percent interest with interest payments only for the first 2 years and full debt service payments for the remaining 28 years. Under such a loan, the average annual debt service (principal and interest) would be approximately $53,000. With Treasury interest being charged each year at 9 percent on the declining principal balance of the loan, it would be the 17th year of the loan, when the outstanding balance is about $566,000, before the Treasury interest would be less than the $53,000 in annual collections. However, with the Treasury rate at 11.25 percent, it would be 20 years into the loan before the Treasury interest would be less than $53,000. Therefore, an increasing Treasury rate not only increases the annual deficit, but extends the period during which an annual deficit will occur.

Question: How many years will it be before the Higher Education Facilities Loan and Insurance Fund no longer requires an annual appropriation to meet insufficiencies?

Answer: Annual appropriations will be required to cover interest insufficiencies on Participation Sales Certificates until the loans pledged as security for the Certificates have been completely repaid. This will be another 14 or 15 years.

COLLEGE HOUSING LOANS

Question: How many delinquent college housing loans are there?

Answer: Currently 187 loans are delinquent.

Question: How many schools have defaulted and what is the value of defaults?

Answer: Currently 87 schools are in default. It is estimated that $17.5 million in debt service payments are due on these loans.

Question: What has the Government done in those cases where a school has been unable to make payments or closed its doors?

Answer: The Government has taken several kinds of actions regarding schools which could not make payments or which have closed. In cases where the institution is in a default status, the Government has either: granted deferments on principal/interest payments and entered into a delinquent loan repayment schedule with the institution; permitted the leasing of the facility to a third party with the rent being applied to the loan; or permitted the school to recast the bond and extended payments up to 50 years in order to reduce the annual debt service. In the instance where an institution has closed, the facility has been sold by the Government at a foreclosure/bankruptcy sale, or sold on a negotiated basis, or another institution which has purchased the property has been permitted to assume the Federal loan.

GAO REPORT

Question: Last year the General Accounting Office (GAO) issued a critical report on the College Housing Program. In this report, GAO charged that HUD did not limit loans to severe college housing shortages, as Congress has dictated, and that there was little data to document where college housing shortages exist. What steps has the Department of Education taken in response to the GAO criticism?

Answer: The Department of Education is currently reviewing all aspects of program management in order to respond to the GAO report. In accordance with GAO recommendations, new program regulations are being developed and application procedures are being streamlined. Although the Administration is not requesting authority to make new housing loans, the Department is continuing its efforts to ensure that selection criteria will utilize objective measures of need. Full documentation of this need will be required. It is anticipated that these and other steps should help to correct the management deficiencies cited by the GAO in HUD's administration of this program.

Question: How are applications for the College Housing Loans currently evaluated?

Answer: The only applications being reviewed are those for which funds were reserved in 1980. The evaluation of these applications is being performed by the HUD area office. Responsibility for this function will be transferred to the Department of Education in April 1981. New procedures for evaluating applications are being considered by the Department of Education as part of the revised regulation process.

Question: What problems has this program faced as a result of its transfer from HUD?

Answer: The single most significant problem has been the time consuming process of reviewing inquiries for appeals by applicants who were denied loans under this program. In addition, because no staff were transferred with the program, a large-scale recruiting and training program had to be initiated.

Question: Demographic data indicate that the college age population is decreasing, and that many institutions, particularly small colleges, may begin to close their doors in the near future. Given this trend, why should the Federal government continue to subsidize College Housing Programs?

Answer: It is true that the college-age population is declining and it is quite possible that many institutions may cease operations in the near future. This fact has led the Administration to question the need for, and wisdom of, financing either new dormitory construction or the renovation of existing housing. While the Administration recognizes that there may be such a need on certain campuses, it also recognizes that the nation is no longer experiencing the rapid expansion of postsecondary enrollments which once resulted in widespread housing shortages. The need for college housing has largely been met and there is no longer a clear Federal role in this area. For these reasons the construction and renovation of housing facilities are a low priority when compared to other areas of educational need. The Administration is not requesting authority to make new loans.

However, in order to guide future Federal college housing construction policy, the Administration is undertaking a study to determine if there are likely to be areas of need which will require Federal intervention.

EDUCATIONAL, RESEARCH, AND TRAINING ACTIVITIES OVERSEAS
SPECIAL FOREIGN CURRENCY PROGRAM

Question: The fiscal year 1982 Carter Budget justification indicates that Egypt is phasing out its Special Foreign Currency Program. Last year at hearings, however, that Committee learned that Egypt still has $125 million in excess currency available for this program. Why is Egypt pulling out of this program?

Answer: The availability of excess foreign currencies is the result of agricultural and other sales to foreign countries in past years for which payment was received in foreign currencies rather than dollars. Egypt is not exactly pulling out of the program. However, the amount of foreign currency available for the U.S. government's use in Egypt is decreasing. As this occurs, OMB and the State Department develop annual allocation plans to divide the existing foreign currency among the various government agencies which have authority to use it. As the supply continues to become more restricted, the Department of Education will lose its allocation because other agencies, such as the State Department, have a higher priority need for these funds.

Question: What use will be made of the excess foreign currency available in Egypt?

Answer: In 1981, probably the last year the Education Department will be able to use Egyptian pounds, the National Institute of Handicapped Research will be supporting three projects with its Egyptian allocation. These projects include an evaluation of the use of the verbotonal method in rehabilitation of the hearing impaired; a dictionary for sign language in Arabic; and a comprehensive rehabilitation program for scoliosis. If funds are made available in 1982, similar rehabilitation research projects will be supported.

Under the Grants to American Instituions program, a number of foreign language group projects will likely be supported. The competitve awards process is still underway, however, and grants have not yet been made. These group projects, in the past, have supported intensive, year-long language training at the Center for Arabic Studies Abroad in Cairo.

GRANTS TO AMERICAN INSTITUTIONS

Question: The number of participants served in recent years under the Grants to American Institutions, Special Foreign Currency Program has decreased. Is the number of participants in this program a function of the strength of the U.S. dollar? How?

Answer: Costs associated with programs which utilize these funds have increased significantly in recent years. For example, international airfares, which are based on hard currency values, have continued to escalate. A greater percentage of the funds available for these programs are now being diverted to cover these increases. In addition, inflation continues to be a serious problem in the host countries where programs have traditionally been conducted. The net result is that fewer individuals are able to participate in these programs with available funds.

Question: Since this program does not require the expenditure of U.S. dollars, why has the budget request for it been limited to $1 million for the past several years?

Answer: The number of countries where U.S.-owned foreign currencies are available for educational activities has dwindled to three in recent years. When there were seven countries in which local currency was available, the equivalent of $2 million was requested. Now that funds are available only in Egypt, India, and Pakistan (Egypt will go off the excess currency list after fiscal year 1981), $1 million is a sufficient amount to support our current needs. With Egypt off the excess currency list next year, it is anticipated that $1 million will suffice for India and Pakistan while accounting for inflation and higher air fares.

IMPACT OF ADMINISTRATION'S PROGRAM

Senator Rudman. I think it is essential that in the very near future, when the full impact of the administration's program is known to you, that this committee be supplied with the data of a very specific nature that will give us the ability to measure impact to assess alternatives and particularly to try to use what means we have to use to assure that those who have legitimate reasons for pursuing postsecondary education have that opportunity.

I think there is unquestionably going to be a difficult time ahead for some, but I expect that could be ameliorated in some way by looking at the various programs that are available, and being creative and imaginative. I expect that can be done.

I come from a State that people historically have managed to pay for their education before these programs were available, and we have a rather high ratio of residents of our State who have successfully completed postsecondary education before any of these opportunities, other than the GI bill were available.

I'm not saying that's the right way. I'm saying somewhere between that and where we are today is where we are going to be for the next several years.

If this committee is to make meaningful decisions, then I expect we are going to have to have a lot of very specific—not theoretical—but specific impact data and alternatives and suggestions from your staff as we work with ours. Because I think the thing that probably has impacted me as much as anything in the past 8 or 9 weeks has been that on these subcommittees on this Appropriations Committee that I am privileged to serve on, the enormous numbers of dollars that we have to consider, don't give us a chance to focus on any one area, as much as I would like to.

Thus, I would hope Dr. Meador, you would give our staff the ultimate in cooperation, so that in the rather short time that we may have to make some decisions that will have a far reaching effect on individuals' educational lives and careers, we will make the best decisions with what we have available to us.

Mr. MEADOR. Mr. Chairman, sharing your convictions on these fronts, I want to assure you that we will do everything in our power to be responsive to your request.

Senator RUDMAN. I think having said that, I will thank you all for your help today.

SUBCOMMITTEE RECESS

The committee will stand in recess until 10 a.m. tomorrow, when we will hear more testimony for the Department of Education.

[Whereupon, at 3:25 p.m., Wednesday, March 4, the subcommittee was recessed, to reconvene at 10, Thursday, March 5.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, MARCH 5, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Mark Hatfield presiding.

Present: Senators Hatfield, Rudman, and Specter.

DEPARTMENT OF EDUCATION

OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

STATEMENT OF DICK W. HAYS, ACTING ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:
- ARTHUR SHEEKEY, ACTING DIRECTOR, BUDGET OFFICE, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT
- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET
- MILTON GOLDBERG, DEPUTY ASSISTANT SECRETARY FOR EDUCATION DEVELOPMENT AND DISSEMINATION
- THOMAS FAGAN, ACTING DEPUTY ASSISTANT SECRETARY, OFFICE OF SCHOOL IMPROVEMENT
- SHIRLEY JACKSON, DIRECTOR, BASIC SKILLS IMPROVEMENT PROGRAM
- LEE WICKLINE, DIRECTOR, DISSEMINATION AND RESOURCE ASSESSMENT
- JOHN MINOR, DIRECTOR, TEACHER CORPS

SUBCOMMITTEE PROCEDURE

Senator HATFIELD. The hearing will come to order.

This morning is a continuation of our hearings on the Department of Education programs and we will hear specifically about school improvement activities and the special institutions which are largely funded with Federal dollars.

As you know, we expect to have President Reagan's budget recommendations shortly and indications are at this point at least that many of the programs we will hear about today may be included in an overall block-grant program for a range of educational purposes, including school improvement. States in that case would have full discretion to use funds as they deem appropriate with no matching requirements.

The Congress does not intend to rubberstamp each and every consolidated grant or budget cutting proposal by the new administration, but this committee intends to work closely with the administration officials to work out responsible program changes which will save money and at the same time see that funds for continuing Federal, State, and local priorities be provided.

I recognize that many of the small categorical education programs have strong backing from various special needs groups and represent years of effort to obtain this special education recognition. What these hearings intend to do is to provide the committee with a programmatic overview to assist us in identifying those areas where continuing Federal involvement is warranted and those where States and localities can assume a greater responsibility in administering.

As a former educator I always enjoy this particular set of hearings and I want to welcome Dr. Milton Goldberg in your capacity as Deputy Assistant Secretary for Education Development and Dissemination. Dr. Goldberg, we have your full statement which will be included in the record if you will highlight your testimony as you desire. Before you do that, present to the committee and for the record the colleagues who have accompanied you today and I would ask you to please proceed.

INTRODUCTION OF ASSOCIATE

Dr. GOLDBERG. Thank you very much, Mr. Chairman. I would like to introduce to my left, Dick Hays, who is the Acting Assistant Secretary for Educational Research and Improvement who has accompanied us here today. I believe he has a few remarks he would like to make about the Office of Educational Research and Improvement, in which all these programs reside.

Senator HATFIELD. Please proceed, Mr. Hays.

RESEARCH AND IMPROVEMENT OVERVIEW

Mr. HAYS. Yes, Mr. Chairman. I am prepared if you desire, to provide an overview for all the programs in the Office of Educational Research and Improvement which has provided a dramatic record in coordinating and integrating the programs you will be hearing about this morning and this afternoon. I will also provide an overview of the programs that were presented to you this past Tuesday.

With your permission and Dr. Goldberg's, I would be pleased to introduce the people at the table.

PREPARED STATEMENT

Senator HATFIELD. We would be happy to receive your statement and you may proceed.

[The statement follows:]

STATEMENT OF DICK W. HAYES

I welcome this opportunity to provide the Committee with a brief overview of the Office of Educational Research and Improvement (OERI) and to explain the budget request for research and improvement programs. This Office was created by Congress last year as part of the Act establishing the Department of Education. Its mission is to coordinate all Departmental functions relating to research, development, dissemination, evaluation, and assessment activities.

This Office administers more than 40 separate discretionary and formula grant programs, nearly a third of the Department's programs. However, the total 1981 budget for these programs ($503 million) accounts for only 3.6 percent of the entire Departmental budget. One half of the OERI budget, or $257 million, consists of library assistance programs. The remaining programs relate to research and improvement, that is, grant and contract activities which support surveys, studies, inservice training, dissemination and demonstration projects. The programs deal with all levels of education, preschool through adult continuing education, including nontraditional approaches, such as support for educational television and radio programming.

The 1981 request for programs in the Office of Educational Research and Improvement includes a $17.4 million supplemental--$4.9 million for conducting new research; $3.5 million for postsecondary improvement grants; $4.0 million for dissemination (NDN) and $5.0 million to help school districts and colleges develop new programs for increasing educational opportunities for girls and women. A $2 million rescission is requested for the Territorial Teacher Training program.

The 1982 budget request involves a total budget of $563 million, a $60 million, or 12 percent increase, above the 1981 estimate. Let me now briefly identify the priorities and the initiatives for the Office of Educational Research and Improvement in 1982.

Priorities

During the past year, the Office of Educational Research and Improvement focused much of its energy and attention on two principal matters. The first was last year's Congressional mandate for improving the management and coordination of small discretionary grant activities. A tentative organizational arrangement was developed, including plans for consolidating a number of programs, offices and activities. The second priority, closely related to the management improvement objectives, dealt with an effort to concentrate available funds on a few critical national educational problems. This necessarily reduced priority for other activities; approximately 20 programs were held level, or eliminated. The budget emphasizes the following four special initiatives:

1. Basic Skills Improvement ($84.3 million). To complement the $41.5 million requested for activities authorized by the Basic Skills Act, high priority was given to a number of NIE-directed Teaching and Learning studies ($42.8 million) aimed at improving the use of tests, developing cognitive skills, and promoting effective writing.

2. Science and Technology ($13 million included in nine OERI accounts). These funds represent increases above the 1981 request level. They respond to the very serious declines in science and mathematics achievement, and they represent a joint response (with NSF) to the Science and Engineering Education Report submitted to the President last year.

   Science and math budget increases focus on dissemination and professional development aimed at helping elementary school children and adults. A number of cooperative efforts between the Department's programs and NSF's Education Directorate were designed to encourage greater involvement of scientists and the private sector in science education.

3. Locally-Directed Programs ($54.2 million). Funding is requested for NIE Policy and Organizational Studies ($16.5 million), for the

National Diffusion Network ($17.3 million), and for the Fund for the Improvement of Postsecondary Education ($20.4 million), to give greater support to helping schools and colleges adjust to meet the changing needs of students and improve their institutional and financial practices.

Emphasis would be on projects that involve sharing and pooling local and community educational resources.

4. Extending the Quality of Library Services ($263.9 million, an increase of $6.3 million). Increasing information requirements in the decades ahead will increase demands for services offered by libraries. Although these institutions are generally under local or private control, Federal funding is requested to increase access to these institutions. In addition, the budget request for libraries places greater emphasis on research, development, training, and incentive grants to promote interlibrary sharing and the development of new technologies and services that will help libraries reach a wider sector of the population. To accomplish this, $6.3 million above the 1981 budget for libraries is requested.

The OERI budget requests also reflect increased priority to functional categories such as basic research ($2.2 million), applied research and development ($13.7 million), professional development ($13.3 million) and dissemination ($9.6 million). These were designed to support leadership in providing useful information and technical assistance services to State, local and private educational agencies.

Let me conclude by saying that the Office of Educational Research and Improvement provides an opportunity for examining the relationships of many interrelated discretionary programs and for identifying opportunities for redirecting them to assist with those problems which State, local or private educational institutions cannot address effectively alone.

Major changes in the educational enterprise will take place over the next decade. Investments in research and improvement activities directed to schools, colleges and libraries could pay off in greater efficiency and advances in educational quality. With limited resources and difficult choices ahead, State and local educational officials may welcome some national leadership in this area.

My colleagues and I will be happy to answer any questions you may have.

INTRODUCTION OF ASSOCIATES

Mr. HAYS. Thank you, sir. Starting at my extreme right is Sally Christensen, who is the Acting Assistant Secretary for Planning and Budget. Next is Lee Wickline, Director, Dissemination and Resource Assessment. Sitting next to Lee is Tom Fagan, Acting Deputy Assistant Secretary for School Improvement; and you've met Dr. Milton Goldberg. Sitting on my left is Arthur Sheekey, Acting Director of the Budget Office in the Office of Educational Research and Improvement. Next is Shirley Jackson, Director of the Basic Skills Improvement Program; and at the corner of the table is John Minor, Director, Teacher Corps, Office of Educational Research and Improvement.

OERI ORGANIZATIONAL OVERVIEW

Mr. Chairman, I welcome this opportunity to provide you with a brief overview of the Office of Educational Research and Improvement and to explain the budget request for research and improvement programs.

This Office, as displayed on the chart which you have before you, was created by Congress last year as part of the act establishing the Department of Education. Its mission is to coordinate all departmental functions related to research, development, dissemination, evaluation, and assessment activities.

This Office administers more than 40 separate discretionary and formula grant programs. This represents nearly one-third of the Department's programs. The programs deal with all levels of education, preschool through adult continuing education, including nontraditional approaches, such as support for educational television and radio programing.

FISCAL YEAR 1982 BUDGET REQUEST

The fiscal year 1982 budget request involves a total of $462 million, a $60 million or 11-percent increase above the 1981 estimate.

During the past year, the Office of Educational Research and Improvement focused much of its energy and attention on two principal matters. The first was last year's congressional mandate for improving the management and coordination of small discretionary grant activities. The second dealt with an effort to concentrate available funds on a few critical national educational problems. This necessarily required hard choices and reduced the priority given to other activities; approximately 20 programs were held level or were not funded or proposed for funding.

RESEARCH AND IMPROVEMENT INITIATIVES

The budget emphasizes five special initiatives. We have a chart that highlights these. These five initiatives may be used to summarize the basic mission of the Office and to explain the $60 million increase that we propose.

The five initiatives are as follows: The first is a basic skills improvement initiative which involves a total of $84 million. These funds are included in the basic skills improvement program and in the teaching and learning program in the National Institute of Education.

Second, science and math learning involves a $13 million package with funds included in nine programs in the Office. This initiative was developed in cooperation with the National Science Foundation. It addresses serious concerns about the decline in student achievement in math and science. Emphasis is given to inservice needs of elementary school teachers particularly in using new and updated materials and increasing public awareness of the need to promote excellence.

Third, the technology and telecommunication request involves most of the component units of OERI. It includes funds for educational television programs and for demonstration of electronic technologies to teach basic skills. Also included in this initiative would be projects supported by the library demonstration program and other projects supported by the fund for improvement of postsecondary education.

The fourth initiative emphasizes locally directed programs. These programs are designed to meet the more immediate needs of all the school systems and colleges that are serving a changing student body; that is, institutions that are developing their own programs to improve the quality of traditional services or new programs that reach out beyond the campus and classroom. This initiative involves a total of $54 million.

The fifth initiative is extending and improving the quality of library services. I believe you were to hear part of that presentation the other day. This is an initiative designed to meet the increased information requirements anticipated in the decades ahead. It places emphasis on promoting and encouraging interlibrary cooperation, preservation, and use of important national collections, and training library personnel to use new information and technologies effectively.

Each of these initiatives requires research and development and disseminating information to practitioners and school administrators. Emphasis is given to pooling the resources of the OERI programs and to encouraging flexibility of grantmaking procedures.

We have a summary chart which displays the major program units of OERI and the proposed increases for each of these units this year.

Let me conclude by saying that the Office of Educational Research and Improvement provides an opportunity for examining the relationships of many interrelated discretionary programs and for identifying opportunities for redirecting those programs to address those problems which State, local, or private educational institutions cannot address effectively alone.

My colleagues and I will be pleased to answer any questions related to the overview.

BASIC SKILLS IMPACT

Senator HATFIELD. Thank you very much, Mr. Hays. Mr. Hays, let me ask a question relating to the basic skills improvement program. As you know, for a number of years we have been funding this program which is geared to help school districts and community groups to improve the skills of reading, mathematics, and written and oral communication.

Could you give the committee some measurement of what would be noted as the impact of this program and the aid it has had on the objectives to achieve them either by specific examples or ways these funds have been used. How does it improve basic skills among the Nation's youth? How do you assess the value of this program?

Mr. HAYS. We believe that the basic skills improvement program is making great strides, Mr. Chairman. All States are developing or revising standards of excellence for each of the basic skills areas, for training needs, and for assessment and/or evaluation purposes.

I would like to ask Shirley Jackson, who is the director of that program, to make some remarks and give you more information. She's on the firing line and sees it from day to day.

Ms. JACKSON. Good morning, sir. I'm very pleased to be with you and address you on the basic skills improvement program.

There are several notable achievements that I think the basic skills program has been able to make since the first year of funding in fiscal year 1980. We have had 1 complete year of operation. During that time we have developed 166 demonstration projects for national, State, and local validation and dissemination. About 60 of those projects are currently being groomed for national validation to go into the national diffusion network and the rest are being groomed for State and local validation. These projects are not new starts. They are projects that have already developed proven methods and techniques to demonstrate how to improve the basic skills of elementary, secondary, and adult students across the Nation. The demonstration models are one of the tangible achievements of the program.

Another achievement is that each of the State departments of education has begun developing a comprehensive plan for improving the basic skills of the children, youth, and adults in that State. They are currently in the refining stage of the development of their draft plans.

BASIC SKILLS COORDINATION

Senator HATFIELD. What's the relationship between what the States are doing now and this program at the Federal level? Are you funding those programs or are they doing that on their own basis?

Ms. JACKSON. We are funding the States' development of the comprehensive plans.

Senator HATFIELD. But I mean, these State agencies, I assume these are departments of education at the State level that are undertaking this task?

Ms. JACKSON. That's right.

Senator HATFIELD. Are they doing that on the basis of their own State resources?

Ms. JACKSON. They are doing that with a combination of their State resources and a small amount of seed money that we have been able to give them from part B the basic skills improvement program. We have given the funds as glue money, not to add on another separate program with no opportunity for statewide impact, but to give them an opportunity to look at what they already have funded through their State departments of education in the basic skills and to pull that together in some kind of a synchronized, coordinated, orchestrated plan for improving the basic skills.

Senator HATFIELD. So they obviously are putting some priority on that at the State level with seed money and other spending within the State, are they not, if I understand you correctly?

Ms. JACKSON. Yes.

EFFECT OF BLOCK-GRANT LEGISLATION

Senator HATFIELD. Well, then, how do you see this as being affected—this program at the Federal level—under a block-grant approach?

Ms. JACKSON. How do we see the State level program?

Senator HATFIELD. If this should be incorporated in a block grant to a State along with other Federal education programs rather than the categorical program as it is now structured, what would you see would be the impact of that change in structure?

Ms. JACKSON. I think that the States would make a determination as to whether or not they want to continue in their existing activities or whether they would want to change directions under the block-grant program, but they would have the flexibility to continue in their existing programs.

Senator HATFIELD. Yes; but do you think they would put sufficient priority on that program to continue it under a block grant? Would that be your assessment at this time?

Ms. JACKSON. It's difficult for me to say.

Senator HATFIELD. But wouldn't it follow that if they are putting their own resources into such a program now, that there is some evidence in that that there would be a continuation of that program under a block grant? Would that be a fair assessment?

Ms. JACKSON. Most of the resources that they are coordinating under part B are the existing Federal resources that are coming into the States such as their titles I and IV moneys that allow them to be involved in the basic skills. It's very difficult to say exactly what the States will do when they have the flexibility.

Mr. HAYS. Mr. Chairman, if I could add to Ms. Jackson's statement, as she's indicated, the block-grant approach as we now understand it would provide great flexibility for the State and local levels to initiate projects they feel best meet the educational needs of the children within the States and local education agencies. We would hope that the models and leadership that Ms. Jackson has exhibited over the last few years would serve them well in making those decisions in the future.

Senator HATFIELD. Do you feel that there is sufficient value in this program to give it the priority both at the Federal and State level?

Mr. HAYS. We feel basic skills is an area that must be emphasized, sir.

Senator HATFIELD. It is still a serious problem in the total field of education, is it not?

Mr. HAYS. Yes.

PARENTAL INVOLVEMENT IN BASIC SKILLS

Senator HATFIELD. Could I ask you another point, and this is, I think we all recognize the important part in education the home plays and the environment of the home. In this matter of basic skills is there any specific program currently planned or projected that would encourage parents in some kind of a systematic way or structural way to get involved in this effort?

Ms. JACKSON. Under the current basic skills program we have 30 model programs throughout the Nation that are designed specifically to show parents how to work with their youngsters to reinforce what the schools are doing to improve the basic skills of those youngsters. Also, as specified under section 206 of the legislation, the programs have materials that are developed specifically to go into the homes with the parents to assist in helping their children.

Dr. GOLDBERG. Mr. Chairman, I might add, that while I'm not here representing the National Institute of Education, I will be doing that this afternoon, and it's important to note that some of the very important research presently being supported by NIE relates directly to some of the literacy questions that are being discussed here today; very specifically with the involvement of parents, community, and other extra-school environments to assist the students in learning.

EFFECT OF BLOCK-GRANT LEGISLATION

Senator HATFIELD. Thank you. Let me rephrase again a question to get a little more specific input.

Based upon the program as has been administered in the last few years and coupling that with the activities now going on at the State level, can you give me any professional assessment or projection as to how this program might ultimately be affected under a block-grant structure? Anyone or everyone who has an idea? Ms. Jackson?

Ms. JACKSON. It's very difficult to presuppose what decision people at the State and local level will make. However, I think that through our national leadership and the kinds of projects that we have been working with the State and local levels would have to continue looking for proven effective demonstration projects that show how to improve the basic skills with a little bit of additional investment. We no longer have the risk capital nor do we have the time to start all over again in every State and in every locality and the States and the localities I think recognize this. Therefore, we are going to have to pull together the best that we know about improving basic skills and disseminate that information in a very methodical way. I imagine that that kind of strategy could be and would be supported at the State and local level. The public is demanding that we find better methods and products for teaching basic skills and, at the same time, find better techniques for the management and utilization of existing resources.

Senator HATFIELD. Could you give me a figure, if not now, for the record later, as to what percentage of the total project operating at the State level is being funded by the State resources as contrasted to the Federal seed money?

Ms. JACKSON. I would have to get that number for you.

Senator HATFIELD. If you could get that number—it doesn't have to be on a State-by-State basis, but just in general or a few examples to illustrate—I would like to know what kind of priority the States are putting on this program. Also, isn't this really basically the intelligent response to the cry we hear from the public about either functional illiteracy or returning to the basics of reading, writing, and arithmetic. This outcry for improving basic skills has become a sloganeer expression on the part of many people as they look at the educational system? Isn't this basically addressing those things?

[The information follows:]

STATE SUPPORT FOR BASIC SKILL PROJECTS

To the best of our knowledge, most States do not provide funds for activities being supported with funds from the basic skills improvement program. They support other basic skills acitivities across the State, primarily relating to competency testing mandates. There are some States, however, that support a few activities related to the basic skill improvement program. Examples include the following:

The State of Missouri supports the salary and travel costs of the basic skills director, including also fringe benefits—insurance, retirement, etc.—office space, communication, and in-house printing. During 1980–81, this would amount to approximately $36,000 of State funds. The basic skills grant was $58,249.

The State of Wyoming provides support for the reading consultant and the basic skill coordinator. The reading coordinator and related costs amount to about $40,000, while the basic skills coordinator, at 25 percent of time, amounts to about $12,000. The basic skills grant was $100,404.

The State of Minnesota provided $620,000 for basic skills efforts. These funds are used to provide technical assistance to school districts and nonpublic schools in basic skill instruction. Technical assistance is provided on a regional basis in cooperation with the educational cooperative service units using the right-to-read model. The grant from the basic skills program was $103,018.

The State of Tennessee provided $725,000 of State funds for basic skills activities: $500,000 to buy instructional materials for students in grades K–3; $210,000 for the State assessment for grades K–3; and $15,000 for printing and dissemination of information to parents of students in the first grade. The award from the basic skills program in fiscal year 1980 was $105,318.

BASIC SKILLS

Ms. JACKSON. There's a national outcry for improving the basic skills of youngsters in our schools and, as you know, the national opinion poll conducted by Gallup in 1980 indicated that this was viewed as the No. 1 educational priority by the citizens of this Nation. People are definitely concerned about the basic skills. The Heritage Foundation report agreed that basic skills improvement is an important national issue and commended the operation of the current national program in meeting its legislated mandate.

Senator HATFIELD. So, really this is not necessarily a priority that we at the political level or you at the professional level have put on this problem, but really this is reflected in the general public itself, isn't it, as its highest priority?

Ms. JACKSON. Yes, sir; I think that the Democrats and Republicans and the Independents all want the children to read, write, and communicate effectively.

Ms. CHRISTENSEN. Mr. Chairman, I would add to that, the basic purposes as envisioned right now in the concept of the State block grant are three: One is to serve certain categories of children that are specific responsibilities of the States, such as neglected, delinquent, and handicapped children in State institutions; second is to continue to improve and strengthen the management and administrative capabilities of State agencies themselves; and third, and just as important if not more important than the other two and what gets into this area, is that of improving practice at the local level. So that would be one of the three priorities addressed in that legislation, although the specifics have not yet been drafted.

Senator HATFIELD. Thank you. All right. Do we want to proceed now?

Mr. HAYS. I would like to ask Dr. Goldberg to give an overview of school improvement and move into the questions you desire to ask.

OVERVIEW OF SCHOOL IMPROVEMENT

Dr. GOLDBERG. I would like to present those programs which constitute the professional development and dissemination portions of programs which constitute most of OERI's improvement programs, with a total budget request of $149.8 million in fiscal year 1982, an increase of 23 percent above the fiscal year 1981 level.

These educational improvement programs, some of which you have already discussed this morning, emphasize improving the quality of classroom instruction; extending educational access to women and minorities; and increasing the focus on key school areas like science, mathematics, and reading instruction.

I would like to present to you some specific budget requests as examples of our educational improvement activities.

First, Teacher Corps, represented by Dr. John Minor as Director, requests $37.5 million, which is an increase of $7.5 million, to permit funding of 45 new projects, including grants to demonstrate new ways to teach science and mathematics to low-income children.

We have also included the science and technology initiative requested under section 303 of the Elementary and Secondary Education Act to address recommendations in the 1980 Report on Science and Engineering Education, which the Department and NSF jointly cosponsored.

Basic skills improvement programs we have already discussed this morning.

The national diffusion program requests $17.3 million, an increase of $3.3 million above the 1981 level, to support 16 additional developer-demonstrator projects—exemplary projects which are funded to assist teachers and school administrators select and use new programs and practices effectively. I might point out, Mr. Chairman, that programs like the national diffusion network are going to be absolutely critical to the States and locals as we move toward consolidation. Research and dissemination are going to become all the more important.

Women's educational equity program requests an increase of $5 million over the 1981 level to $20 million to be equally divided between developmental and demonstration projects of national significance to promote education equity.

PREPARED STATEMENT

Mr. Chairman, these are examples of some of the activities that are essential to our school improvement efforts. It concludes my presentation and my colleagues and I would be pleased to answer any questions you have regarding any of these programs.

[The statement follows:]

STATEMENT OF MILTON GOLDBERG

I would like to present the second major cluster of programs assigned to the Office of Educational Reseach and Improvement (OERI). Earlier this week, we discussed the Libraries and Learning Technologies budget request. Today, I am presenting those programs which constitute most of the "Improvement" programs, with a total budget request of $149.8 million in fiscal year 1982, an increase of $26.8 million, or 23 percent, above the 1981 level. In addition, we are requesting for 1981 a $5 million supplemental for the National Diffusion program, and a $2 million rescission for the Territorial Teacher Training program.

Educational Improvement programs are characterized by emphasis on: (1) improving the quality of classroom instruction; (2) extending educational access to women and minorities; and (3) increasing focus on substantive areas, such as science, mathematics and reading instruction. Projects involve demonstrations of worthwhile practices, inservice staff training, or dissemination activities designed to increase resources available to teachers.

OERI training and dissemination programs also involve linkages and cooperative arrangements with other teacher training and dissemination efforts throughout the Department. A recent study indicates that an estimated 22 programs spend more than $300 million for professional development and dissemination activities. A new office was created to coordinate these Departmental efforts.

The 1982 request focuses on three priority areas: (1) the continuing educational needs of practitioners, particularly those responsible for science and math instruction ($46 million); (2) promotion of State and local adoptions and adaptations of newer and field-tested programs ($22 million); and (3) stimulation of basic skills improvement among the Nation's youth and adults by increased support to State educational agencies ($41.5 million). Finally, an increase of $5 million (to $20 million) for the Women's Educational Equity program is requested in order to double the number of grants to school districts and colleges for locally developed projects to meet local needs in bringing about educational equity for women and girls.

The following are specific budget requests for educational improvement activities:

Teacher Corps - ($37.5 million) An increase or $7.5 million would permit the funding of 45 new projects and provide ten $150,000 grants to demonstrate new ways to teach science and math to low-income children.

Science and Technology Initiative - $4.5 million (as part of a $13 million OERI initiative) is requested under Section 303 of the Elementary and Secondary Education Act to address recommendations in the 1980 Report on Science and Engineering Education, which the Department and NSF jointly submitted to the President.

Basic Skills Improvement Program - ($41.5 million) An increase of $6.5 million would support establishing a strong State leadership role involving the field-testing and dissemination of effective reading, math and communication skills development programs and leadership training of administrators on systematic basic skills improvement strategies.

National Diffusion Program - ($17.3 million) An increase of $3.3 million above the 1981 level (which includes a proposed $4 million supplemental) would support 16 additional developer-demonstrator projects--exemplary projects which are funded to assist teachers and school administrators select and use new programs and practices effectively.

Continued emphasis would be placed on identifying and disseminating worthwhile projects in basic skills, science and math curricula.

Women's Educational Equity Program - ($20 million) An increase of $5 million over the 1981 level (which includes a proposed supplemental of $5 million) is requested. The $20 million would be equally divided between developmental and demonstration projects of national significance to promote educational equity and would enable local school districts and colleges to develop their own local projects to provide educational equity for women and girls.

Other significant program proposals include $3 million to establish a new teacher fellowship program; $5 million to expand the Pre-College Science Teacher Training program; an increase of $2.5 million over the 1981 level; and $1 million to complete the school finance study mandated by the Congress (Section 1203 of the 1978 Amendments).

In addition, level funding is requested for eight programs to continue their demonstration activities. These include Arts Education ($3.5 million), Consumer Education ($3.6 million), Metric Education ($1.8 million), Cities in Schools ($3 million), PUSH for Excellence ($1 million), Alcohol and Drug Abuse Education ($3 million), Ethnic Heritage Studies ($3 million), and Law-Related Education ($1 million). For five other authorized activities, no appropriations are requested (Environmental Education, Population Education, Safe Schools Grants, Pre-School Partnership, and Territorial Teacher Training).

1981 Supplementals

A $5 million supplemental is requested to enable the Women's Educational Equity program to assist local school districts and colleges to develop programs that address discrimination at their institutions. Accompanying this request is a technical amendment to the current law which would allocate all funds to national demonstration projects.

A $4 million supplemental for the National Diffusion program (funded under Section 303 of the Elementary and Secondary Education Act) would expand the current network to help local public and private schools select from, and adapt for their use, proven and effective educational programs and practices.

The programs and activities assigned to the Office of Educational Research and Improvement are numerous and varied. They relate to a myriad of problems and reflect the complexity of the Nation's school system. Resources to address all of these problems are not available. States have reached a point of meeting many of these challenges without Federal incentives and funding. However, there is a role for national leadership in providing limited assistance for development and dissemination of more effective educational practices.

This concludes our budget presentation. My colleagues and I will be pleased to answer any questions you may have.

Biographical Sketch

NAME : Milton Goldberg

POSITION : Deputy Assistant Secretary for Education Professional Development and Dissemination and
Acting Director, National Institute of Education

BIRTHPLACE AND DATE : Philadelphia, Pennsylvania
December 25, 1927

EDUCATION : Doctor of Education - 1972
Temple University

Master of Arts - 1950
Temple University

Bachelor of Arts 1949
Temple University

EXPERIENCE :

2/81 to present	Acting Director, National Institute of Education
8/80 to present	Deputy Assistant Secretary for Education Professional Development and Dissemination
2/80 to 8/80	Acting Associate Director, Program on Dissemination and Improvement of Practice - National Institute of Education
1978 to 1980	Chief, Educational Organizations and Institutions Staff, Office of the Director - National Institute of Education
1976 to 1978	Advisor to the Director - National Institute of Education
1975 to 1976	NIE Fellow - Participated in National Institute of Education Fellowship Program
1969 to 1975	Executive Director, Early Childhood Programs, Philadelphia School District
1966 to 1969	Director, Curriculum Development, Philadelphia School District
1966 to 1975	Adjunct Professor, Temple University, Chestnut Hill College
1961 to 1965	Elementary School Principal, Philadelphia School District
1958 to 1961	Junior High School Vice Principal, Philadelphia School District
1951 to 1958	Junior High School Teacher, Philadelphia School District

MEMBERSHIPS : Member of Education Accreditation Teams for Pennsylvania State Department of Education at University of Pittsburgh

Member of Editorial Advisory Board for National Association for the Education of Young Children

U.S. Representative at International Conferences on Secondary Education and Urban Education

HONORS AND AWARDS : Grant from the Philadelphia Foundation to visit British Schools

National Scholastic Essay Contest winner as beginning teacher on "How I Teach During the First Week of School"

PUBLICATIONS : Author of the Undergraduate and Graduate Program in Early Childhood Education at Chestnut Hill College

Articles include:
"Behavior and Learning"
"A New I.Q. for Slow Learners -- Imagination Quotient"
"Early Childhood Education"
"Project Follow Through: In Philadelphia"

HEALTH EDUCATION

Senator HATFIELD. All right. Is the ball in my court at this point? Could you comment on the health education program?

Dr. GOLDBERG. I'd like to ask Dr. Fagan to do that.

Senator HATFIELD. It's sort of a stepchild, isn't it?

Mr. FAGAN. As you know, Mr. Chairman, we have established in the Office of School Improvement an office of comprehensive school health. This office has not received an appropriation to provide grants. Its role is to provide technical assistance to school districts and State education departments in implementing health education curriculum around the country. It also works cooperatively with the Public Health Service and other agencies within HHS in the administration of their health education funds and also provides a coordinative approach to helping school districts and States provide health education for the children of the country.

Senator HATFIELD. Is there any projected plan to do a little consolidating and reorganizing in this area to bring all these programs together in some kind of a coordinated effort?

Mr. FAGAN. The administration is developing a major plan for consolidation. There is, as I'm sure you know, an authorized unfunded health education program within the Department. Presumably that would go in as an unfunded program in the consolidated effort.

DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM

Senator HATFIELD. Could you give me any assessment or report on those programs that are functioning or how they are functioning in the Health and Human Services Agency?

Mr. FAGAN. To the best of our knowledge, the HHS programs are functioning quite well. We have had a good deal of contact with them. As a matter of fact, we have an interagency agreement to help coordinate their activities in order to make sure they are effective in the schools as well as to bring the materials that are being developed by the Public Health Service directly to the school people. The Department of Education is acting as a conduit in connection with this.

Senator HATFIELD. I wonder if you could provide for the record—I would not assume that you would have it with you today—a breakdown on program by program of all health education programs in the HHS for each program in fiscal year 1980 and what would be expected or projected for fiscal year 1981—I should say probably 1981 and 1982. In other words, I would like to get a comparison of the trend if I could by some kind of set of figures here of what's happening.

Mr. FAGAN. These are programs in HHS?

Senator HATFIELD. Yes.

Mr. FAGAN. Yes, sir.

[The information follows:]

HEALTH EDUCATION IN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

There are no health education programs in the Department of Health and Human Services that directly benefit elementary and secondary education. However, below is a list of HHS general health education programs and the amounts budgeted for them:

[In millions of dollars]

Program	Purpose	1980	1981	1982
Risk reduction/ health education.	To build capacity for improved health education in Federal, State, and local programs and in the private sector.	$23.5	$21.8	([1])
Health professions education.	To provide resources that address national health issues such as geographic and specialty maldistribution, need for more primary care providers, health promotion, financial assistance for the disadvantaged. Special project programs within this activity that address these concerns include area health education centers, residence in family medicine and general internal medicine and pediatrics, nursing, and assistance to the disadvantaged.	500.0	160.2	$126.1

[1] Proposed for consolidation.

HEALTH EDUCATION

Senator HATFIELD. The scenario is of great interest to me and I have been frustrated in trying to find some way to get this thing put together——

Mr. FAGAN. I recall last year's testimony, Mr. Chairman.

Senator HATFIELD. Yes; well, I feel like we haven't made much progress since last year in that way or in that area. Do you agree that health education is a national priority?

Mr. FAGAN. Yes, sir.

Senator HATFIELD. Or do you think the States are giving it priority today?

Mr. FAGAN. I think it varies. Some are giving it more priority and others lesser, which is true in a number of areas. It's a great strain, as I'm sure you know, at the State and local and Federal level on allocation of dollars and when one talks about the priorities——

Senator HATFIELD. It seems to me such an obvious priority and such an obvious place to get a hold of some of these health problems, that if unattended at that level will develop into greater national problems later on. We're having to deal with these things now after-the-fact, rather than in a preventive way.

NATIONAL DIFFUSION NETWORK

Dr. Goldberg, could I turn now to the national diffusion program for a moment. I believe that there have been studies made and assessments of this program since 1977 at least. I guess going back I could recall some of our hearings in which there was a user dissatisfaction expressed toward this program early on. I wonder if you would like to make any assessment of how that is changed and what the situation is today.

Dr. GOLDBERG. I would be happy to do that, Mr. Chairman. I also want to ask Dr. Lee Wickline, who's the director of the program, to say something about that matter. Let me say that part of the work I do presently brings me into a great deal of contact with people at the State and local education agency levels. I meet regularly with people who work in both local schools and in State agencies. My own past experience has been primarily with those agencies and I have frankly rarely met a program that is viewed with such favor by people who are working in the schools. There is a crying need in the schools for programs that are demonstrably effective in other environments, and one of the remarkable attributes of the national diffusion effort is its ability to provide these programs in cost effective ways. To know what kinds of programs have been successful elsewhere and to be able to adopt those programs for school use inexpensively is a remarkable attribute.

Lee, would you like to add something to that?

EFFECTIVENESS OF THE NATIONAL DIFFUSION NETWORK

Mr. WICKLINE. Thank you. In the early days I think that dissatisfaction concerning the national diffusion network was not so much dissatisfaction from users but from people who wanted their programs in the national diffusion effort and a good part of that dissatisfaction was because of the fact that we had very high quality controls. We have to have evidence that the programs work, that they were effective, before we can put Federal moneys into disseminating them.

The program has been evaluated and examined by many, many people. It was examined by the Stanford Research Institute which evaluated it in 1977 and found it to be effective. They found that users liked the programs that they had installed. They found that States that had State facilitators participating in the national diffusion network were getting many adoptions, that those States that did not have the State facilitators were not getting adoptions, and I could go on and on about what was in that study.

Senator HATFIELD. What about the student achievement factor?

Mr. WICKLINE. We have not gathered as much information in student achievement as I would like to have, but in the period of the 6 years that we have been in the business, we have now some 30 programs in the national diffusion network out of 113 that have gathered student achievement data.

One example that I can give you is a program called alphaphonics in San Francisco which is a preschool program. They did an evaluation of the program in 21 different adoption sites and found that the gains of the students in those sites—we're talking about gains in reading here—were equal to or exceeded that of the gains that had been obtained in the original site where the program was developed.

Another program called active, which is an individualized physical education program for handicapped youngsters, has collected evaluation data from the very beginning and I believe that the impact data there would indicate that somewhere in the order of 75 percent of the students in the sites that were evaluated were achieving the objectives of the program. I could give some other examples. I would be glad to present the examples for the record if you would like.

Senator HATFIELD. I wonder if you would for the record. Any of the ways in which we could make a judgment on the record of this program, particularly from the student achievement angle, would be very helpful.

Mr. WICKLINE. I would be glad to do so.

Senator HATFIELD. Thank you very much.
[The information follows:]

EXAMPLES OF EFFECTIVE NDN PROJECTS

DIAGNOSTIC PRESCRIPTIVE ARITHMETHIC (DPA), STATEN ISLAND, N.Y.

Diagnostic prescriptive arithmetic (DPA) is a basic elementary mathematics program for students in grades three, four, and five. Students selected for the program are generally 2 years behind grade level in mathematics achievement.

Achievement from the original development site showed student gains of 1.6 grade levels for the third grade, 2.0 grade levels for the fourth grade, and 2.6 grade levels for the fifth grade for 7 months of instruction. All grade equivalent means were statistically significant at a 0.01 level of confidence.

Data on adopters show similar significant gains. This program has trained over 3,500 teachers in 25 States, involving about 63,000 students since 1974.

INDIVIDUALIZED LANGUAGE ARTS (ILA), WEEHAWKEN, N.J.

The individualized langage arts program (ILA) showed gains for students enrolled in grades 3–6 which were significant at the .05–.001 levels of confidence in vocabulary, sentence structure, organization, mechanics, and grammar.

Since 1974, ILA has trained over 10,000 teachers in 42 States and has benefited over 400,000 students in grades 1–12. The adopting districts which have undertaken to do impact evaluation have all reported significant gains in student writing achievement for ILA classes. Pearl River, N.Y., reports for the first time there were no failures whatever on the State writing proficiency test at the middle school level and attributes that fact to ILA instruction. Hyde Park, N.Y., attributes to ILA the fact that failures on the same type of test have been cut by 50 percent. Milford, Del., a rural title I disadvantaged district, collected data that indicates significant impact at or beyond a .05 level of confidence for 11 criteria for grades 5–11. Seven school districts in rural Ulster County, N.Y., found that gains in the ILA student writing samples were statistically significant at a .01 level of confidence for 15 of 16 experimental groups of students, while the control group actually had pre- to post-test ratings which decreased by 0.19 during the school year.

LEARNING TO READ THROUGH THE ARTS, BROOKLYN, N.Y.

When this program was presented to the joint dissemination review panel (JDRP), claims were made that inner city children whose reading levels were at least 2 years below grade levels improved their reading skills. The California achievement test was used to measure gains in student reading skills and knowledge. Students gained an average of 6.2 months beyond expected levels in a 4-month period as a result of program treatment. This was statistically significant at the .01 level of confidence.

Evaluation of student progress at adoption sites reveal similar significant achievement. Results show that two-thirds of the students showed gains equal to or greater than those obtained at the original site.

OKLAHOMA SECONDARY LEARNING DISABILITIES, CUSHING, OKLA.

The Oklahoma secondary learning disabilities program began as a target project for four small school districts. Students in grades 7–12 diagnosed as learning disabled but of normal intelligence were pretested in two areas of characteristic disability, verbal IQ, and reading. Mean verbal IQ pretest scores for experimental students in the program was 87.83. The posttest score was 93.07, an increase of 5.24 in verbal IQ in 7 months. The control sample pretest mean was 80.40 and the posttest mean was 83.20, an increase of 2.80 in verbal IQ in 7 months. Reading scores—Stanford and Metropolitan Reading Achievement Tests—showed the experimental students increased 2.37 percentiles while the controls showed a 2.32-percentile decrease in the same period.

The program provides an individualized, prescriptive learning program for learning disabled students in the perceptual, conceptual, and integrative areas of learning. Seventy-eight adopters returned their pre- and post-test scores on the wide range achievement test, the Durrell analysis of reading difficulty test, and the key math test. The average gain for the 959 students tested almost equals the gains of the original group.

PROJECT ACTIVE, OAKHURST, N.J.

ACTIVE is an individualized physical education program for children with motor problems or other handicapping conditions. Teachers are trained to design a program for each child's level of ability based on diagnostic tests. The program operates a minimum of 60 minutes a week. Scores of statistical significance for the experimental group over the control at the .05 level were reached in all three studies after 6 months of instruction.

ACTIVE has obtained 516 adoptions from September 1975 through November 1979 with 3,306 trained teachers working with 71,351 children in 32 States; 931 classes conducted tests on 12,771 students; 84 percent of the classes reached or surpassed the .05 level of significance obtained by the original project.

CITIES IN SCHOOLS

Senator HATFIELD. Dr. Goldberg, we, as you know, have battled very strongly for cities in schools in the last couple of years to keep that program funded at a level worthy of the program. How often are program evaluations conducted on this particular one? I know it's only been in effect since 1978. Have you had some evaluations made of this?

Dr. GOLDBERG. Yes; as a matter of fact, there's an evaluation on the way right now being supported by the National Institute of Education. Dr. Fagan, do you have any data on the program you can share?

Mr. FAGAN. The National Institute of Education contracted with the American Institute for Research to conduct a 3-year evaluation program. We have received three reports to date. The final report has been received in draft form, and it is now being rewritten to be available in final form at the end of this month.

To summarize, the evaluation report points out that there have been some implementation problems. However, where the program has been implemented as envisioned, it has proven to be effective. The evaluation report has made some specific recommendations which we will be passing on to you.

Senator HATFIELD. These would show overall improvement in reading skills, for instance, and changes in the dropout rate?

Mr. FAGAN. In one particular area where the implementation follows the model very closely, there is strong evidence that the dropout rate has decreased and reading skills have improved.

Senator HATFIELD. We have other questions that we will submit to you and if you could respond for the record we would appreciate it. I think unless there are any other comments or statements that any of your associates wish to make, we'll move on to another segment of this hearing.

Dr. GOLDBERG. Thank you very much, Mr. Chairman.

SUBMITTED QUESTIONS

Senator HATFIELD. Thank you. I appreciate very much your presence.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HEALTH EDUCATION

Question: What is the justification for having so many health education activities in so many different locations?

Answer: As you know, the health of the Nation is a major national priority. There is a need for both prevention and education strategies as well as treatment. In the Surgeon General's Report on Health Promotion and Disease Prevention, three of five national goals relate to the improvement of the health status of children any youth and the health habits of adolescents and young adults.-

The Department of Education has been identified as the lead agency to coordinate school health efforts. It is the only Federal agency that has access to the public schools directly through the State education departments and through local school districts. The Department of Health and Human Services, including the Centers for Disease Control, Office of Health Information, Health Promotion, Physical Fitness and Sports Medicine in the Office of the Assistant Secretary for Health, National Institutes of Health, and the Alcohol, Drug Abuse, and Mental Health Administration, provide funding through State and local health departments rather than education agencies. Also, the programs administered by DHHS are categorical in nature i.e., high blood pressure programs, alcohol abuse programs, drug abuse programs, diabetes programs, etc.

The efforts of the Department of Education are focused on comprehensive school programs for students K-12, whereas the mandates of the DHHS programs are to assist in the development of informational/educational activities for the general public. They do not work with State education agencies to build capacity and leadership at that level, a major goal of the Office of Comprehensive School Health.

The Office of Comprehensive School Health in the Department of Education was established to provide a focal point for school health education and to help avoid duplication of efforts in this area. More and more Federal agencies are seeking our assistance in the area of school health education.

CONSOLIDATION OF HEALTH EDUCATION ACTIVITIES

Question: Last year we spoke about combining the various health education categories into the unfunded Office of Comprehensive School Health. Do you have any plans to fund this office and consolidate all health education programs under this one office?

Answer: We have continued to provide operating funds for the Office Comprehensive School Health. The Administration's consolidation proposal places health education in the State block grant program.

OFFICE OF COMPREHENSIVE SCHOOL HEALTH

Question: Has there been any consideration given to moving the Office of Comprehensive School Health to the Office of the Secretary so it will remain a separate function and not be made part of a major consolidation?

Answer: The Office of Comprehensive School Health was established to coordinate school health education activities within the Department of Education and with other Federal agencies that have a role in activities relating to the health of the school-age population. Besides building linkages with other Federal agencies, another role for this office is to administer the unfunded School Health education grant program.

Under the Administration's consolidation proposal, the School Health Education program will be placed under the State block grant program. The Office of Comprehensive School Health will be reviewed along with all other offices within the Department to determine how each office can best serve the public in the most efficient manner.

BASIC SKILLS DUPLICATION

Question: This Committee is particularly concerned about duplication and overlap in Federal programs. On the other hand, some programs which appear to be duplicative may be complementary. To what extent is there duplication in services between the Basic Skills Improvement program and the major compensatory education programs under Title I?

Answer: The two programs have very different aims. Basic Skills is a demonstration program whose purpose is to test ideas to see what works well in various settings and what does not. Title I, on the other hand, is a service program whose aim is to provide improved educational programs to disadvantaged youth, primarily youth in grades K-6. While the focus of Title I is the basic skills, its aim is to increase the services to needy youngsters and not to demonstrate the most effective ways of educating young people. It should be noted that the Basic Skills Improvement program covers all levels of education, pre-school through adult, and also includes the involvement of parents and volunteers.

Question: How do they complement each other?

Answer: Both Basic Skills Improvement and Title I have basic skills as a focus, both concern school programs (although Basic Skills goes beyond the formal school system), both are heavily involved in parental participation and use of community resources to reinforce the educational program. They complement each other in that those Basic Skills programs that are proven effective become models for use in the Title I program.

Question: In your point of view, could the goals of Basic Skills be incorporated into the Title I program?

Answer: No, the Basic Skills goals could not be incorporated in the Title I program. While they have a common concern with the basic skills, they have two different purposes--demonstration (Basic Skills) and service (Title I). Moreover, the target group of Title I is limited to disadvantaged elementary school students, while Basic Skills includes all children and adults--the full gamut of basic skills programs and concerns.

FISCAL YEAR 1980 BASIC SKILLS AWARDS

Question: What sort of agencies and organizations received grants funded with Fiscal Year 1980 appropriations?

Answer: Local education agencies, institutions of higher education, State departments of education and non-profit community organizations received in Fiscal Year 1980.

Question: How many of the national program grants were awarded to State educational agencies, local educational agencies, institutions of higher education, etc?

Answer: In Fiscal Year 1980 local education agencies received 93 grants, State education agencies received four grants and institutions of higher education received 28 grants.

Question: How many were awarded to private non-profit organizations?

Answer: Thirty-one were awarded to private non-profit organizations.

Question: Under both the national and the State programs, what proportion of the grants going to local educational agencies went to large school districts, and what proportion to smaller ones?

Answer: Under the national program approximately 20 percent of the grants were awarded to large school districts and 80 percent were awarded to smaller districts. Under the State program, 16 percent of the subgrants went to large school districts, and 84 percent went to smaller ones.

INEXPENSIVE BOOK DISTRIBUTION PROGRAM

Question: The Inexpensive Book Distribution program (known formerly as the "Reading is Fundamental" program) received $6 million in Fiscal Year 1981. This program provides the distribution of inexpensive books to children, in order to encourage reading. What will happen to this program under a consolidated block grant proposal?

Answer: Under the Administration's consolidated proposal, funds formerly allocated to the Inexpensive Book Distribution program are currently planned to be included in the block grant program to local educational agencies (LEAs). Under this proposal, LEAs are free to make a contractual arrangement with RIF to continue the program.

ETHNIC HERITAGE STUDIES PROGRAM

Question: How has the Ethnic Heritage Studies program increased student awareness of the contributions various ethnic groups have made to America?

Answer: Student awareness of the contributions of various ethnic groups has been increased through the development of over 1,500 individual curriculum materials that address over 80 different ethnic groups. The materials, curricular guides, teacher resources, and student resources include:

445	Cassette or Audio Tapes
147	Videotapes
91	Slide Programs
35	Filmstrips
11	16mm Films
5	Records
686	Print Materials - Curriculum Guides, etc.
32	Kits, Boxes of Artifacts
17	Posters
7	Activity Cards
7	Games
10	Databanks
2	Computer Files
9	Transparancies
1	1 set of Greeting Cards
1	1 set of Study Prints
1	Traveling Exhibit
3	Ditto Masters

These materials, which emphasize the contributions of large numbers of ethnic groups, have been integrated into existing art, social studies, history, and other curricula in addition to being exhibited in schools, museums, and at festivals and other special events.

Question: What evaluations have been made of this program?

Answer: A contract was awarded in December 1980 to evaluate the materials developed by the Ethnic Heritage Studies program grantees. Materials will be evaluated in terms of their (1) usefulness in classrooms, (2) ethnic authenticity, and (3) potential for duplication. Outcomes of this project will be:

1. A set of criteria for use in judging the quality of ethnic studies curriculum materials.
2. A listing of materials that have been determined to be of sufficient quality that they can be recommended for use by others.
3. A basis for further dissemination of the materials.

Question: To what extent do States and local education agencies support Ethnic Heritage programs out of their own resources?

Answer: The Ethnic Heritage Studies program does not have a matching cost requirement. Therefore, States and local education agencies do not contribute specifically to these projects.

A January 1978 study funded by NIE entitled, "State Legislation Provisions and Practices Related to Multi-Cultural Education" indicated that 32 States have provisions related to curriculum in this area. However, there is little data regarding the financial commitment to support the provisions. Preliminary inquiries suggest that funds are not provided for this purpose. The National Advisory Council on Ethnic Heritage Studies has commissioned a pilot study to investigate the status of ethnic studies in eight States. The results of the study are expected in the summer 1981.

WOMEN'S EDUCATIONAL EQUITY ACT PROGRAM

Question: How has the Women's Educational Equity program been effective in promoting educational equity for women in the United States?

Answer: The Women's Educational Equity Act program (WEEA) represents a significant Federal effort to confront the problems of sexism in American education. Since 1976, a total of 365 grants have been awarded to develop materials and model programs to assist in the achievement of educational equity for all women and girls. In addition, five WEEA contracts are currently implementing "National Demonstration of Educational Equity for Women and Girls" in five school districts (Tuscon, Arizona; Broward County, Florida; Quincy Massachusetts; Lincoln County, Oregon; and Reidsville, North Carolina). The WEEA Publishing Center stocks over 200 print and audiovisual products developed under grants which can be purchased at cost. More than 15,000 copies have been sold, and the demand is steadily increasing.

Question: What indications do you have that this program would remain a State or local priority should Federal funds be reduced or eliminated?

Answer: The WEEA program has completed a contract with the Council of Chief State School Officers to provide technical assistance to all State departments of education and State boards of education, including the District of Columbia and outlying areas, to train Chief

State School Officers, State boards of education personnel and other State and local personnel in the implementation of Title IX (P.L. 92-318) and issues of educational equity. As this area remains a national priority, we can only hope that educational equity for all women and girls will remain a priority of State and local governments under the block grant programs.

Question: What standards do you use to evaluate projects?

Answer: WEEA Project Officers monitor projects closely and review all products during development. Final products are reviewed by WEEA staff and they receive a peer review at the WEEA Publishing Center to insure need, quality of content, and suitability of instructional method.

In addition to project evaluation, an evaluability assessment of the WEEA program was completed in January, 1981. A rapid feedback evaluation has been begun to obtain readily available data on the progress made toward achieving program objectives.

Question: Have you explored the possibility of converting the Women's Educational Equity program into a scholarship program for college students, graduate students or teachers?

Answer: The Women's Educational Equity Act program is designed to promote educational equity at all levels of the education. The program supports the development and demonstration of effective projects which can be used as models by local educational agencies. This is a totally different purpose than a scholarship program.

WEEA PROJECT EXAMPLES

Question: Would you describe some specific projects which are funded under this program?

Answer: Project examples are provided below.

o "A Model of Coordination Between LEAs and Local Pre-Schools to Promote LEA's Title IX Compliance and Eliminate Sex Segregation at the Pre-School Level", Orange County School Board, Orlando, Florida.

Recognizing that the earliest intervention possible is needed to prevent the molding of sex-role stereotypes, Orange County Public Schools is developing and testing a model for the coordination of staff development training and technical assistance between local educational agencies and preschools, both public and private. The model will be designed to promote continuity of effort from the preschool level on equity and Title IX compliance.

A manual describing this model will be produced to provide other LEAs with a resource which they can use in a variety of community settings with diverse populations. Included in the Manual will be components designed to increase awareness of sex stereotypes of preschool administrators and parents, as well as specific nonsexist techniques and skills which teachers may use in the classrooms.

o "Ohoyo Resource and Information Center for Native American Women", National Women's Program Development, Inc., Wichita Falls, Texas.

The OHOYO* Resource Center will increase the visibility of the least visible of the Nation's ethnic women through a 1982 update of the Resource Guide of American Indian-Alaska Native Women, and will develop a resource pool of skills and expertise of 1,000 notable Native women to provide identification-referral services. The Center also will address textbook and course work neglect of Native women through compilation of a bibliography of culture-based curriculum materials developed by American Indian-Alaska Native women. The Center will edit and circulate Native Women: A Bibliography, containing 400 entries by and about Indian women.

The Center will promote educational equity awareness within the Indian culture through publication of OHOYO quarterly news bulletins by and for Indian women. OHOYO will hold an annual equity awareness regional conference in areas with significant Indian populations.

*"OHOYO" is the Choctaw word for "woman."

o "Achieving Equity Through Development of Nonbiased Materials for Career Education of Young Handicapped and Minority Girls and Boys", New Mexico State University, Las Cruces, New Mexico.

The overall goal of this three-year project is to broaden the career interests and aspirations of primary aged disabled and minority girls. Although the project has been designed to promote equity for handicapped and minority females, it will also create materials which would be useful for the development of career education and equity concepts for male, non-minority and non-handicapped populations. The project materials will incorporate a balance of people; disabled and nondisabled; minority and majority; female and male. This integrated approach can have a positive effect on the attitudes of nonhandicapped, majority, and male groups toward handicapped, minority and female groups.

In addition to K-3 level handbooks and media, supplemental materials for teachers and parents will be available in both English and Spanish versions.

o "Aequus III: A Model Program to Influence Local Leaders in Educational Policy and Administration, Los Angeles Unified School District, Los Angeles, California.

The purpose of Aequus III (pronounced "eh-kwis" - Latin word for equality) is to develop a model program for influencing leaders in educational policy and administration regarding women's equity. The approach is fourfold.

First, the project will enlist the aid of a management consulting firm to perform a detailed organizational analysis of District policies/practices relative to women's educational and employment opportunities. Next, the organizational analysis will be measured against Title IX and other sex equity legislation. Recommended remedies will be incorporated into technical assistance manuals as a change management tool for school board members and top management of the school district.

Technical assistance retreats then will be conducted by a consortium of experts for board members and top management regarding the identification of needed changes, the dissemination of information and resources, and assistance in reshaping existing policies and operations.

A Steering Committee comprised of representative administrative and employee groups, women's organizations, and ethnic organizations will oversee the implementation of the program. The steering committee will report to the Commission for Sex Equity, and from the Commission to the Board of Education; this will be the channel for recommending policies for women's employment and educational equity.

- "A Comprehensive Effort to Integrate Principles of Women's Equity into Training Programs and Practices of Educators, Michigan State University, East Lansing, Michigan.

  The Michigan State University College of Education effort is designed to engage college and public school faculty and administrators in a series of Faculty Forum seminars and All-University courses to acquire knowledge, enhance attitudes, and gain support for promoting equity for women (including minority and handicapped women). The effort is also designed to enable faculty and administrators to apply newly acquired knowledge and attitudes to the review, revision, and redefinition of the present "mainstream" curriculum and instructional practices now offered to prospective and practicing teachers and administrators.

  The third aspect of the effort is designed to study and describe what individuals and public schools do to comply with and exceed compliance with laws and legislation directed toward the promotion of women's equity. Through these enriched training experiences, curricular and instructional development activities, and studies of practice, the effort is expected to generate a comprehensive model of college and public school collaboration in the promotion of institutional change.

- "Developing Multi-Media Curriculum Aids for Teaching About Minority Women", Independent School District #625, St. Paul, Minnesota.

  This project is developing curriculum materials on American Indian, Asian/Pacific American, Black, and Hispanic women for use in a variety of subject areas in elementary and secondary school systems. These materials also include an exportable in-service training module to train educators in their use. The curriculum materials were completed in the project's first year; during the second year, they will be field-tested in various school settings in Minnesota, in six field-test workshops.

  Products include four elementary kits -- one on each group of minority women -- containing eight illustrated stories with audio tapes and a teacher's guide. On the secondary level, there are four poster sets on each group of minority women, a booklet on minority women in math and science, a filmstrip on minority women, and teacher guides. A teacher training manual also will be available.

CONSUMERS' EDUCATION

Question: Since Fiscal Year 1976, the Committee has appropriated $21 million for grants and contracts to promote Consumer Education. What demonstrable improvement in the sophistication of consumers has resulted from this appropriation?

Answer: Federal support of consumer education programs has resulted in greater sophistication of consumers by expanding their knowledge and decision-making skills to include not only budgeting and "buymanship" skills but also such complex economic issues as inflation, energy conservation and citizen participation in policy decisions of interest to consumers. Examples include:

- o High school students and teachers in 28 Oregon and Michigan schools participated in the development and testing of curriculum materials on Inflation -- Consumers Counter the Cost of Living. Tests showed increased student understanding of the issues and alternative solutions to the problem of inflation.

- o Elementary students in St. Louis Public Schools (4,500) showed general improvement in basic reading and mathematics skills following teacher training in consumer content which involved bringing community resource people into the classroom.

- o State and local education agencies have demonstrated growth and increased commitment to consumer and economic education with technical assistance provided by the Consumer Education Resource Network and the Consumer Education Development Program.

Question: What coordination is there between this program and Consumer and Homemaking Education under Vocational Education?

Answer: By design, the two programs serve somewhat different audiences. While the Consumer and Homemaking program provides State formula grants to home economics programs under each State's Vocational Plan, the Consumers' Education program provides direct support to innovative programs in both traditional and non-traditional educational settings.

However, the two programs do coordinate as appropriate. For example, home economic teachers use the services and materials provided by the Consumers' Education program through:

- o Statewide curriculum development in specific States, including Hawaii, West Virginia and Ohio.

- o Technical assistance provided by the Consumer Education Resource Network, including data provided by an assessment conducted by the Education Commission of the States.

- o The Classification of Concepts in Consumer Education, a product of a national study designed to identify and define the scope and purpose of the field.

Question: To what extent have grantees continued funding for consumer education after Federal support has ended?

Answer: Example of continuing impact following Federal funding include:

- o St. Louis Public Schools elementary program has been incorporated into the fifth grade curriculum and is being replicated in other school districts.

- o The Michigan Consumer Education Center at Eastern Michigan University continues, through local funding, to provide in-service programs and credit courses for teachers statewide. The Center maintains a resource collection which is available to educators, business, labor and community groups as well as to individual consumers.

- The Maryland Department of Licensing and Regulation, in cooperation with the Citizens' Consumer Foundation, continues to conduct annual training programs for consumer representatives on licensing boards.

ALCOHOL AND DRUG ABUSE EDUCATION

Question: You are requesting $3.0 million for the Alcohol and Drug Abuse program. Wouldn't it make more sense to request this amount for the School Health Education grant program where Alcohol and Drug Abuse is included under a comprehensive Program?

Answer: The problem of alcohol and drug abuse is too pervasive to be adequately addressed in a School Health Education grant program. Its implications go far beyond the ordinary definition of a health program.

It is true that alcohol and drug abuse is listed along with obesity, immunization, weight control, and nutrition among the 24 major national health concerns addressed by the Health Education Program in its regulations proposed in 1979. However, it is equally true that the Alcohol and Drug Abuse Education Program (ADAEP), since its inception in 1970, has never viewed alcohol and drug abuse as just a health problem, but as a much more complex human behavior problem.

ADAEP has turned to the social and behavioral sciences as a basis for designing its programs. It has sought guidance from research in learning, motivation, growth and development, communication, education, organizational devlopment, and in the nature and causes of deviant and destructive behavior of all kinds.

ADAEP should therefore maintain its own identity if it is to continue to address this crucial problem effectively.

Question: Why should we place the $3.0 million in the Alcohol and Abuse program rather than the School Health Education Grant program...especially since we spend millions and millions for drug and alcohol at NIDA and NIAAA?

Answer: The Department of Education is the only Federal agency with a mandate to work with the schools of this county. ADAEP has credibility with educators and mechanisms for working with the schools. It has had eleven years of experience with alcohol and drug abuse prevention program in our schools.

NIDA and NIAAA, up until two years ago, focused primarily on treatment and rehabilitation and not on education/prevention. Neither agency has sufficient credibility with the schools.

The linkage of alcohol and drug abuse prevention with the schools, where so many of our young people spend so much of their time, is vital in any effective strategy to deal with their problem. It is essential that an agency with established linkages and credibility with the schools -- ADAEP -- continue to work with them in these crucial problem areas.

NATIONAL COMMITTEE, ARTS FOR THE HANDICAPPED

Question: Recent newspaper and magazine articles have publicized the National Committee, Arts for the Handicapped, a private non-profit organization which receives most of its funding from the Department of Education. According to reports, the Committee is heavily in debt and poorly managed, has spent large sums on annual meetings, and has had little educational impact. Because up to $1.5 million of Department of Education appropriations are earmarked for the National Committee, Arts for the Handicapped, the Department of Education has not thoroughly analyzed NCAH's costs or activities. What plans does the Department have to monitor more thoroughly NCAH's costs and activities?

Answer: The Department of Education staff has conducted several site visits to review NCAH's financial systems. The most recent site visit occurrd on Feburary 3, 1981. In addition, Price Waterhouse has just completed an audit of NCAH's financial statements for the year ending September 30, 1980.

With regard to management, the NCAH Board of Directors was reorganized in January 1980 and a committee structure was put into place. The Board, which is now chaired by Dr. Ernest Boyer, President of the Carnegie Foundation for the Advancement of Teaching and a former U.S. Commissioner of Education, oversees the budget, management of financial systems, and personnel policies and sets the policy for the organizations. An internal reorganization has taken place during the past 18 months and a skilled team of professionals directs the program.

Program monitoring by the Department of Education has been improved, including frequent telephone and written communications. In addition, NCAH submits semiannual program reports and expenditure reports.

Question: Can the Department develop a viable approach for using the arts to educate handicapped children other than the lump sum grant to the National Committee, Arts for the Handicapped?

Answer: Under the proposed consolidation proposal, the States and/or local education agencies would have the option of using Federal funds for arts for the handicapped, including such activities as staff development, research, curriculum development, demonstration, and dissemination.

Question: Has the Department assured itself that past NCAH expenditures met the requirements for Federal grants and contracts?

Answer: The Department has made its own review and also requested a GAO review of expenditures. No disallowed expenditures have been noted by the Department, The Department is assured that Federal grant and contract requirements are being met.

PUSH FOR EXCELLENCE

Question: In March 1980, the American Institute for Research released a Technical Report from the National Evaluation of the PUSH for Excellence project, stating that the "PUSH for Excellence" program was having difficulties in translating the concept of the program into a functioning operation at the local school level. How will the program as a whole overcome the difficulties cited in this report?

Answer: The Department of Education has formed a Task Force to address this problem. As a result, the following steps were taken:

1. An Implementation Guide was developed outlining step-by-step procedures in translating the PUSH/Excel concept into an education program.

2. A staff development program was designed to train project directors in implementing the programs.

3. National PUSH/Excel staff has been stabilized.

Question: Is there any justification for keeping this program separate from a block grant consolidation?

Answer: Such a separation would ensure the continuation of the program. However, the intent of the block grant consolidation is to move the locus of decision making from Federal to State and local levels. States will then individually decide if they wish to use block grant funds for this program.

METRIC EDUCATION

Question: Is there good justicification to warrant keeping a separate categorical grant program for metric education?

Answer: The purpose of the Administration's block grant proposal is to move the locus of decision-making on demonstration type programs like metric education from the Federal to the State level. The purpose of the metric education program remains a national priority as the country proceeds with its conversion to the metric system. It will be up to the States to determine whether they wish to continue funding metric education programs.

PRECOLLEGE SCIENCE TEACHER TRAINING

Question: How many projects will be funded in fiscal 1981 and how many teachers will participate in in-school science training?

Answer: Following the transfer of the Pre-College Teacher Development Program to the Department of Education in May 1980, the program received 288 proposals from colleges and universities by the application closing date of October 20, 1980. These proposals were evaluated by panels of scientists and science educators assembled for that purpose in Washington, D.C., in mid-November 1980.

Ninety of these applications have been recommended for funding with the program allocation for fiscal year 1981 of $2,500,000. Seventy-five of these would be direct grants to colleges from the Department, while 15 awards would be jointly funded with the National Science Foundation in conjunction with its companion program for secondary school teachers. At this funding level, approximately 4,100 elementary teachers would be provided with up-to-date instruction in science and mathematics offered by college scientists.

In anticipation of a scheduled program award date of March 6, 1981, the 75 applications for ED funding were processed for award through the budget negotiation stage. However, the proposed rescission of 25 percent of fiscal year 1981 program funds means that 22 of these projects, reaching approximately 1,200 elementary teachers, will not be funded. Further, it will bring the percentage of proposals granted to those received down from 31 percent to 21.5 percent. The reduced number of awards will make equitable geographic coverage very difficult to achieve.

Question: Has this program encountered any administrative difficulties in its move from the National Science Foundation to the Department of Education?

Answer: Administrative difficulties have been experienced in this transition period that can be related to differences between the two agencies in procedures and policies. At the National Science Foundation, programs are not subject to regulation. A high priority is given within NSF to providing administrative support and cooperation toward the shared goal of implementing the science education programs the agency sponsors.

The most severe problems with the Department of Education have originated at the interface between the program office and the management office, in particular the Office of Procurement and Assistance Management, which sets grant policy and carries out grant operations. The program has expeerienced some delays in obtaining approval of program documents and processing grants as a result of different practices and procedures used by the program at the National Science Foundation and those used by the Department. We believe, however, that these problems are being resolved and expect that processing of the next set of grant awards will proceed more smoothly.

TEACHER CORPS

Question: Why is this a job for the Federal Government?

Answer: The mission of the Teacher Corps program, as defined by the authorizing legislation, is to strengthen the educational opportunities available to children in areas having concentrations of low income families and to encourage institutions of higher education (IHEs) and local education agencies (LEAs) to improve their systems of training and retraining of educational personnel who teach these children. The proposals funded by Teacher Corps are those judged most likely to succeed in improving education for these children, through the demonstration of practices and procedures that are different from those currently being supported by IHEs and the LEAs.

These educational innovations are designed in collaboration with the participating postsecondary institution, the Superintendent of the local school district, and the chairperson of the elected Teacher Corps Community Council who represents the parents in the affected community. The organizational structure set for each project consists of a Policy Board, a Community Council, and School Site Councils. Through this model the Federal government acts in partnership with these constitutencies and provides a unique unifying factor for these groups. Through network meetings made possible by Federal funding, Teacher Corps project efforts are reinforced by oportunities to adapt, disseminate, and institutionalize their successes by interaction at the regional and ational levels.

The Federal government, in funding these projects, enters into a partnership with the IHE, the LEA, parents, and the school community to support their efforts to improve education in ways not otherwise possible. This partnership is sustained through Federal staff monitoring and technical assistance.

FEDERAL SUPPORT OF TEACHER CORPS

Question: How long has the Federal government supported this program?

Answer: The original legislation for the Teacher Corps program was enacted in the Higher Education Act of 1965 as a student teacher intern training program at a time when the shortage of teachers was acute. To adapt to changing educational needs, Congress amended the authorizing legislation in 1977 and 1978. As a result, the program's emphasis shifted from preservice to inservice training; extended the demonstration period from two to five years in order to provide time for adaptation, dissemination, and institutionalization of promising practices; and moved from concentrating on inservice training for the faculty (both administrators and teachers) at one school to training educational personnel in a feeder system of two to four schools reaching grades one through twelve.

TEACHER CORPS BENEFITS

Question: What demonstrated benefits have accrued from this program?

Answer: The Teacher Corps program has succeeded in demonstrating the effectiveness of such organizational and programmtic elements as the following:

1. The Teacher Corps Management Model, comprised of the Policy Board, the elected Community Council, and the School Site Councils, provides a sustained and orderly forum for the postsecondary institution, the school district, and parents to meet and to discuss ways of improving education for the children in the community. The dynamics of this interchange has increased collaboration among the various constitutents for improving education.

2. The Teacher Corps program has provided training and retraining for members of university and college faculties to work with administrators, teachers, parents, and students living in low income areas. It has also trained and retrained school administrators and teachers to provide appropriate curricula and classroom management techniques that will enable them to deal effectively with a wide range of issues and problems that they face in the classroom.

3. The Teacher Corps program, through its Community and School Site Councils, has provided the opportunity for hundreds of parents to study for and to pass high school equivalency examinations often enabling them to participate more effectively in the education of their children.

4. The Multicultural Education and Bilingual Component has provided teachers with an understanding and appreciation of the many ethnic groups throughout the country. Student experiences in this component are also linked to the teaching of basic listening, speaking, reading, writing, and mathematics skills.

5. The Exceptional Child Component has brought about development of new techniques and practices for assessing the skills, attainment, and the special needs of the exceptional child in the classroom; demonstrated types of classroom management techniques that assure individualized instruction, flexible student grouping, and cooperative teaching; and developed organizational patterns that will assure parental involvement in all phases of the exceptional child's education in the mainstream.

NATIONAL DIFFUSION PROGRAM

Question: Since 1977, several evaluation studies have been done on the effectiveness of the National Diffusion Program. While early studies indicate that user satisfaction with the materials and services provided by the National Diffusion Network (NDN) is high, it appears that the actual student achievement has not been affected throught the adoption of the Network's exemplary programs.

Answer: The National Diffusion Network (NDN) was evaluated by the Stanford Research Institute in 1977 and more recently by the Network, Inc. in Andover, Massachusetts. That report is scheduled for release within the next few months. In addition to these evaluations of NDN, Rand and Abt Associates have examinied certain aspects of NDN as smaller parts of much larger studies. Also, staff members of the House Appropriations Committee Survey and Investigations Staff have examined the NDN for the last three or four months. We understand that their report is currently available to members of Congress but has not been released to the public. Although we cannot speak to the studies that have not been released, we can say that all evaluations and studies that have been released thus far have shown a high degree user satisfaction with the materials, services, and programs provided by NDN. We are aware of no study that has stated or implied that actual student achievement has not been positively affected in NDN adoption sites.

Question: How are you assisting local educational agencies in overcoming the difficulties of replicaton of exemplary programs?

Answer: NDN helps local education agencies overcome the difficulties of replication in the following ways:

- NDN provides local education agencies (LEAs) with many choices of effective, low cost programs. An LEA can pick the program that best fits its philosophy, need, and budget.

- NDN support development of materials that are ready for student and teacher use. LEAs do not spend a lot of time and money developing suitable materials to install NDN programs.

- NDN trains teachers in adopting LEAs who will install and operate the NDN program. The trainers are from the LEAs that developed and operated the program in its original development site. Over 11,000 teachers have been trained through the NDN during the past year.

- NDN provides follow-up technical assistance to LEAs after they have installed the program. The original developers who are from the LEAs that developed the programs provide the technical assistance.

- LEAs developed about 90 percent of the programs in NDN. Since the programs were developed by LEAs, they are effective in the LEAs.

Question: Are later evaluations of the program confirming that the improvement of student achievement though adoption of exemplary programs is marginal at best?

Answer: No. As stated earlier, we are not aware of a single evaluation of the NDN program that even implies that the improvement of student achievement through the adoption of NDN exemplary programs is marginal.

Question: How can this be rectified?

Answer: We are puzzled by this line of questioning. Nationally recognized scholars and evaluators such as: Everett Rogers, Ronald Havelock, Milbrey McLaughlin, Gene Hall, Susan Locks, John Emrick, and others have examined NDN. None of them will say that NDN is the perfect diffusion system, but all have said that NDN is the most effective dissemination system in existence today for accomplishing what it purports to do -- to identify the best locally developed programs and to install these programs in local school systems througout the country. The system is cost effective. It saves hundreds of thousands of dollars and years of time for local school districts.

Question: If there is no evidence of student achievement gains, why are these programs considered "exemplary"? Why disseminate them?

Answer: NDN has rigourous evaluation requirements. Each program has to submit objective evidence of effectiveness to a panel of evaluation experts to demonstrate beyond any reasonable doubt that it increases student achievement gains. The increase has to be both statistically and educationally significant. That is why the NDN programs are considered exemplary, are disseminated, and experience a high degree of user satisfaction. For these reasons local school districts are willing to use their own money to install and to operate NDN programs. The programs are effective, they work, and they are inexpensive.

Question: Final regulations for awarding National Diffusion Network grants were published April 21, 1980 (Federal Register (45 CFR 26914)). Under these regulations are developers of an educational program which has been commecially marketed eligible for Developer-Demonstrator project funds?

Answer: Yes, if the evaluation of the program has been submitted to the Joint Dissemination Review Panel (JDRP) and has been approved by that panel for dissemination. Most Developer-Demonstrator projects in the NDN make use of commercially marketed materials.

Question: What criteria does the Department of Education use to establish priorities for funding the Developer-Demonstrator grants? Who determines what an "unmet national need" is?

Answer: The NDN has two eligibility requirements: (1) the program must have the approval of the Joint Dissemination Review Panel (JDRP) and (2) the program must be operating in some location as a demonstration program at no cost to the NDN.

The Department of Education then selects programs for funding in areas where there is general agreement that programs are needed such as: reading, writing, mathematics, special education, early childhood education, and career education. The Department of Education provides a variety of effective programs in each of these areas so that school districts can pick and choose from several alternatives and select any programs which they bvelieve will meet their needs.

Some programmatic areas do not have as many altenatives in them as the Department would like. Some exemples of these "gaps" as we call them, where many more programs are needed are: writing, secondary school reading, science at all grade levels, secondary school mathematics, programs for the gifted and talented, and programs for schools in rural areas. The "unment national need" is really determined by the interests of the local school districts and the State facilitators who communicate school district needs to the national program.

Question: How is the Department of Education determining that there is "no potential for educational harm to students" in programs not funded by the Department that apply for participation in the National Diffusion Network?

Answer: Only 11 of the 275 programs approved by JDRP for dissemination have been developed with funds from outside the Department. These programs were developed by the Public Health Service, the National Science Foundation, local school districts, the Department of Labor, the U.S. Army, the National Endowment for the Humanities, and the National Institutes of Health. The Department of Education believes that these agencies have adequate oversight and control over the development of programs to assure that none are developed which have the "potential for educational harm to students." But to be doubly sure that there is no potential for educational harm, the programs are reviewed by professional educators in the Department of Education before the programs are submitted to JDRP for review. The programs are again reviewed by the JDRP to asure that there is no potential for harm.

Question: How do Developer-Demonstrator projects coordinate their activities?

Answer: They rely heavily upon the State Facilitator in each State to identify school districts within each State that may be interested in their project. They also rely upon the State Facilitator to arrange for the training of teachers in districts within the State. To save travel costs, Developer-Demonstrators try to schedule awareness sessions and training session in more than one State when they travel across the country.

Question: How many programs administered by the Department of Education are required to submit exemplary projects to the National Diffusion Network?

Answer: No programs administered by the Department of Education are required by regulation to submit their exemplary projects to the National Diffusion Network. Submission to NDN is voluntary. Many Department of Education Programs have never submitted a project to NDN. The number that do submit projects to NDN is increasing each year as program administrators learn more about NDN and its effectiveness in installing NDN programs in local school districts. In the 1979-1980 school year, each project in the NDN was installed in an average of 60 schools in 20 school districts scattered across the country.

Question: How many State and local education programs not funded by the Department of Education are distributed through the National Diffusion Network?

Answer: Very few of the programs distributed through the National Diffusion Network were developed with Department of Education administered discretionary grant funds. Most were developed by local school districts which used Federal formula grant funds administered by State departments of education. Until 1980 the authorizing legislation under which NDN operated would not permit NDN to disseminate progrms not developed with Federal funds. The legislation and regulations under which NDN has operated since April 21, 1980 permits the NDN to disseminate programs developed with State and local funds, foundation funds, and funds from private sources as well as Federal funds. The Department of Education believes that the source of funds used to develop programs is not nearly as important as the quality of the program. Two programs developed with local education agency funds have been submitted and approved by JDRP. Nine additional programs were approved by JDRP which were developed with funds administered by Federal agencies not in the Department of Education.

CITIES IN SCHOOLS

Question: The Cities in Schools program, begun in 1978, provides funds to various community organizations aimed at increasing attendance and achievement levels of urban youth. How many students will be served by this program in Fiscal 1981?

Answer: Projects funded under the Cities in School Program will serve 6,701 students in six cities in fiscal year 1981.

Question: How would level funding for Fiscal 1982 affect the number of students served?

Answer: With level funding in fiscal year 1982, approximately 7,000 students could be served. The program would be extended two additional cities, these would be selected from 72 cities that have requested the program.

Question: To what extent do non-Federal sources of funding supplement Federal grant activity?

Answer: In fiscal 1980, 49 percent of the total program cost was provided by the Federal government, 35.5 percent by local public sources, and 15.4 percent by the private sector.

LAW-RELATED EDUCATION

Question: Last year, Congress disapproved the proposed regulations for the Law-Related Education program. What changes have been made in those regulations in response to Congressional criticism?

Answer: The new regulations are simpler, shorter, and less prescriptive than those originally promulgated. They offer the applicant more flexibility in designing and implementing programs. Three requirements specifically opposed by the Congress have been eliminated. These include: the cost-sharing arrangement, limitations on duration of projects in some instances, and four separate funding categories, each with its own selection criteria. Also, the program now includes only two award categories, one for elementary/secondary projects and the other for any activity of significance to the field in any area authoried by the Act.

Among the other changes in the new rules are: deletion of repetitive references to Education Department General Administrative Regulations (EDGAR); elimination of a limit on equipment costs; and omission of a requirement that existing programs funded for two years spend a certain proportion of their second year activities on technical assistance to other organizations and agencies. This last requirement is now left to the descretion of the applicant

Question: The Law-Related Education program is designed to provide elementary and secondary school youth with a knowledge of the law and the American legal system. This is an admirable goal, but shouldn°t the curricula of all schools incoporate these subject?

Answer: The purpose of the Law-Related Education program is to demonstrate how this can done. The Law-Related Education program focuses on institutionlizing small but promising projects that are in a position to serve as resources for others. Specifically, funds are targeted on strengthening and expanding existing programs and where appropriate, on offering technical assistance from these programs to others interested in planning or developing law-related education activities. The Federal program links experienced projects with newer ones and provides opportunities for training in the substance and methods of this field. Teachers, adminstrators, and community members study legal concepts such as responsibility, authority, and justice; they learn about housing and criminal law; they discover how to use case studies and mock trials and explore multiple uses of community resources including lawyers, judges, police officers, and other justice personnel. Once they have been trained, teachers are able to incorporate law-related education objectives and methods within the school curriculum.

Question: Why is Federal support for this goal needed?

Anwser: Law-Related Education has emerged over the past 15 years as a promising way of revitalizing citizneship education, a subject mandated by nearly every State in Nation. While the law-related education movement has grown from about 40 local and privately funded projects in 1970 to over 300 at the present time, the American Bar Association estimates that only about 10 percent of our Nation's students have been exposed to the study of law and the U.S. legal system.

Law-Related Education began as a grassroots movement. Projects normaly have been submitted by local teachers and lawyers, whose initial interest may have been prompted by awareness activities of the American Bar Association and the several educational organizaions specializing in this topic. At the same time, most school systems and State departments of eduation do not include law-related education in the ongoing curriculum. Many educators are unaware of its purpose or view law as a specicialized discipline beyond the grasp of most students and teachers.

Federal support for law-related education is designed to provide incentive grants to those wishing to begin, strengthen, or expand such programs but who lack the necessary resources to do so.

HOWARD UNIVERSITY

STATEMENT OF JAMES E. CHEEK, PRESIDENT

ACCOMPANIED BY:

- **CASPA L. HARRIS, JR., VICE PRESIDENT FOR BUSINESS AND FISCAL AFFAIRS**
- **CARLTON P. ALEXIS, VICE PRESIDENT FOR HEALTH AFFAIRS**
- **LORRAINE A. WILLIAMS, VICE PRESIDENT FOR ACADEMIC AFFAIRS**
- **ROGER D. ESTEP, VICE PRESIDENT FOR DEVELOPMENT AND UNIVERSITY RELATIONS**
- **HAYNES RICE, HOSPITAL DIRECTOR, HOWARD UNIVERSITY HOSPITAL**
- **AUGUSTUS L. PALMER, ASSISTANT TREASURER**
- **SALLY CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET**

1982 BUDGET REQUEST

Senator HATFIELD. Now we will turn to the panel representing Howard University and the special institutions, the National Technical Institute for the Deaf, Gallaudet College, and the American Printing House for the Blind.

President Cheek, we welcome you this morning to this hearing. We have the resumé and statement that you have presented the committee which will be printed in the record and you may proceed to either handle your testimony in any form you wish to use, and if you will introduce your colleagues who are accompanying you here today for the record we would ask you then to proceed.

Dr. CHEEK. Thank you very much, Mr. Chairman.

We are seeking a total request for fiscal year 1982 of $153,199,000. This request represents an increase of approximately 11 percent over fiscal year 1981. Our program increases are in three categories: The built-in increases in the academic program which total $8,436,000. In the academic area we have the 7 schools and colleges and the university libraries for an increase of $6,020,000, and for construction, which is physical facilities development, we are requesting $15 million.

ACADEMIC PROGRAM REQUEST

We have targeted our request for the academic program in terms of our instructional units toward correcting academic deficiencies which have existed over the years. We started a number of years ago with the Department of HEW and now with the Department of Education to use our crediting reports as the foundation on which to build our request for increases for both faculty and nonfaculty personnel, as well as for supplies, expenses and equipment.

DUNBARTON CAMPUS

In the case of construction, we are requesting $2 million for what we now call the west campus, which used to be called the Dunbarton Campus, $1 million of which will complete the final payment on the note for that facility and an additional $1 million for renovations for the law school and other facilities that are located there.

ACADEMIC FACILITY DEFICIENCY

We are also seeking $12 million to construct a new classroom facility. The funds for the acquisition of the land for this facility were appropriated by the Congress several years ago. The plans and specifications funds were also provided by the Congress through appropriations and we are now at the point where that building should be constructed. It is to house the school of business and public administration and was an important factor in the decision of the Assembly of Collegiate Schools of Business to accredit our graduate program last year. The school of business since its beginning in 1970 has been housed in a converted warehouse and it was on the basis of our representation that the university would exhaust every effort to provide adequate facilities for that program that we were accredited.

LAND ACQUISITION

The remaining $1 million is an ongoing program for land acquisition which also was begun several years ago, and it is to purchase land adjacent to our campus as it becomes available.

Thank you very much, Mr. Chairman. I shall answer any questions you have.

PREPARED STATEMENT

Senator HATFIELD. Your statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF JAMES E. CHEEK

It is my pleasure to present to you the budget request of Howard University for the 1982 fiscal year. The University is requesting an appropriation for FY 82 of $153,199,000.

Our request provides $14,456,000 in increased appropriations for the Academic Program component of our budget; $15,000,000 for Construction funds. We are not requesting an increase in 1982 for the operation of the Howard University Hospital.

The increased funds requested for the Academic Program consist of two categories: $8,436,000 for built-in increases and $6,020,000 for program increases. The built-in category provides $3,800,000 for faculty salary increases; $3,136,000 for non-faculty salary increases, $600,000 for periodic step increases and promotions for non-faculty personnel and $900,000 as continued partial support for required funding of the regular University Retirement Program.

The category of program increases includes seven separate schools and colleges as well as additional financial support for the University Library System. Without exception, all of these funds are requested to meet accreditation deficiencies or needs. As President of Howard University, I have appeared before this Committee for approximately ten consecutive years to request additional support for our Academic Programs because of our inadequate resources and continued deficiencies in many, if not most, of our programs. This Committee has been fully supportive of our requests and we are hopeful that it will continue to be so. While past support has significantly improved many of our academic deficiencies, unfortunately, many deficiencies continue to exist and it will take time, with continued financial support, to reach the place where future requests at these levels will no longer be necessary. This request, if approved, will go a long way in meeting these objectives in FY 82 for the schools and colleges involved.

Howard University is requesting additional construction funds in the amount of $15,000,000 for three projects in FY 82. The West Campus (Dunbarton) request of $2,000,000 will enable the University to complete renovations of this facility and will provide the final purchase payment for this project.

The University is seeking $1,000,000 to acquire additional land adjacent to our main campus as it becomes available at reasonable prices. This is a continuing project that permits the University to acquire needed land over an extended period of time at reasonable prices. The remaining item of $12,000,000 is for construction of Classroom Building #4 that will eliminate one of our major accreditation deficiencies. This building will be used for our School of Business and Public Administration whose programs are currently housed in a converted warehouse that was determined to be unsatisfactory by the accrediting agency for schools of business administration. The University received accreditation for the school last year only upon the condition that an adequate physical facility would be constructed shortly.

The University is not seeking additional Federal support for the operation of the Howard University Hospital.

Mr. Chairman, I will be happy to answer questions concerning our request from you or members of the Committee.

CURRICULUM VITAE

JAMES EDWARD CHEEK

DATE AND PLACE OF BIRTH:

December 4, 1932; Roanoke Rapids, North Carolina

NAME AND HOMETOWN OF WIFE:

Celestine Juanita Williams; Newton Grove, North Carolina

CHILDREN:

James Edward, Jr.
Janet Elizabeth

EDUCATION:

Elementary
Public Schools, Greensboro, North Carolina
Secondary
James B. Dudley High School, Greensboro, North Carolina
Immanuel Lutheran College, Greensboro, North Carolina
Undergraduate
Shaw University, Raleigh, North Carolina; Bachelor of Arts, 1955
Professional
Colgate-Rochester Divinity School, Rochester, New York; Master of Divinity, 1958
Graduate
Drew University, Madison, New Jersey; Doctor of Philosophy, 1962

HONORS AND RECOGNITIONS:

Honorary Degrees:
Doctor of Humanities, Shaw University, 1970
Doctor of Humane Letters, Trinity College, 1970
Doctor of Laws, A&T State University, 1971
Doctor of Laws, Drew University, 1971
Docteur Honoris Causa, l'Universite d'Etat d'Haiti, 1972
Doctor of Education, Providence College, 1972
Doctor of Laws, Delaware State College, 1972
Doctor of Humanities, University of Maryland, 1975
Doctor of Divinity, Bucknell University, 1975
Doctor of Laws, New York Institute of Technology, 1980
Alpha Kappa Delta National Honorary Sociological Society, 1954
Colgate-Rochester Graduate Fellow, 1958
Lilly Foundation Fellow, 1958 and 1959
Rockefeller Doctoral Fellow, 1960

PROFESSIONAL POSITIONS:

President, Howard University, July 1, 1969 -
President, Shaw University, Raleigh, North Carolina, 1963-69
Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia, 1961-63
Visiting Instructor in Christian History, Upsala College, East Orange, New Jersey, 1960 (Summer)
Instructor in Western History, Union Junior College, Cranford, New Jersey, 1959-61
Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey, 1959-60

PROFESSIONAL MEMBERSHIPS:

American Academy of Religion
American Association of University Professors
American Society of Church History
National Association of Biblical Instructors
National Society of Literature and the Arts
Religious Research Association
Society for Biblical Literature and Exegesis

MEMBERSHIPS AND ASSOCIATIONS:

BOARD OF DIRECTORS:

Continental African Chamber of Commerce U.S.A.
First American Bank, N.A.

- Joint Center for Political Studies
- National Association for Equal Opportunity in Higher Education
- National Capital Area Council, Inc., #82 Boy Scouts of America
- National Permanent Federal Savings and Loan Association
- National Symphony Orchestra Association
- People United to Save Humanity (PUSH)
- United Nations Association, Capital Area Division, Board and Advisory Committee

BOARD OF TRUSTEES:

- Choral Arts Society of Washington, Honorary
- Consortium of Universities of the Washington Metropolitan Area
- Federal City Council
- Institute of International Education, Honorary
- New York Institute of Technology
- United Way of the National Capital Area
- Washington Center for Metropolitan Studies

BOARD OF ADVISORS:

- AAAS - Smithsonian Institution, Advisory Committee
- African Heritage Institute Advisory Board
- Afro-American Cultural Foundation
- American Arts Association, State Advisor in the District of Columbia
- Asian Bicentennial Celebration, Advisory Council
- Association for the Integration of Management, Inc., Advisory Council
- *Black Sports*, College Advisory Board
- *Close Up*
- Colgate-Rochester Divinity School, Advisory Board
- GWETA, Community Advisory Council
- Independent Foundation, National Advisory Council
- Institute for the Study of Educational Policy
- Minorities in Engineering, National Advisory Council
- National Archives Advisory Council
- *The National Black Monitor*
- National Coordinating Council on Drug Abuse, Education and Information, Inc.
- National Council for Black Studies, National Advisory Committee
- National Urban League and Booker T. Washington Foundation TV Career Awareness Advisory Review Board
- *School Review*, National Advisory Board
- *Speak Out!*
- Washington Urban League
- *Who's Who in America*

BOARD OF EDITORS:

- Black Forum, Inc.
- *The Journal of Religious Thought*, Honorary Chairman

MEMBER:

- American Association of University Women, Task Force for Women's Equity
- American Council on Education, National Panelist
- American Foundation for Negro Affairs
- American Institute for Public Service, Board of Nominators
- American Management Association, Inc.
- Center for the Study of the Presidency, Board of Educators

College Entrance Examination Board, Committee on International Education
Institute of International Education, National Council
Mid-Eastern Athletic Conference, Executive Committee
Minority Legislative Education Program, Committee of Sponsors
Mordecai Wyatt Johnson Memorial Fund
National Committee for Full Employment
Philosophical Society of Washington
Task Force on International Affairs, D.C. Government
Van Cle World Association, Scientific Committee
Virgin Islands Department of Health, Fundraising Steering Committee, Honorary
Voice of Informed Community Expression (VOICE)
Washington, D.C. Cornaro Tercentenary Committee, Honorary

President's Commission on Campus Unrest, June-October, 1970
Special Consultant to the President of the United States on Black Colleges and Universities, May-June, 1970

BIOGRAPHICAL LISTINGS:

THE INTERNATIONAL WHO'S WHO, 1979-80
WHO'S WHO AMONG BLACK AMERICANS
WHO'S WHO IN AMERICA
WHO'S WHO IN AMERICAN EDUCATION
WHO'S WHO IN GOVERNMENT
WHO'S WHO IN THE SOUTH AND SOUTHWEST
1968 Edition of OUTSTANDING YOUNG MEN IN AMERICA
1973 Edition of MEN OF ACHIEVEMENT
1974 Edition of LEADERS IN EDUCATION

MISCELLANEOUS:

Alpha Theta Nu Theological Fraternity
Alpha Phi Alpha Fraternity
Sigma Pi Sigma Fraternity
U.S. Air Force, 1950-51

September, 1980

ACADEMIC DEFICIENCIES

Senator HATFIELD. Thank you, Mr. President. In your statement you indicate that you're asking $6 million over fiscal year 1981 to help eliminate deficiencies identified as accreditation reports. What kind of deficiencies—or give us some examples of what these deficiencies represent.

Dr. CHEEK. They represent in the main a faculty too small for the number of students enrolled; that is, a very high faculty-student ratio; insufficient support personnel for the faculty and inadequate equipment.

In the case of the school of business, in addition to the same kinds of deficiencies, they identified as a major deficiency an adequate physical facility.

Senator HATFIELD. Without these funds, would Howard's accreditation be in question or jeopardy?

Dr. CHEEK. Mr. Chairman, for some of these schools and colleges—we have only seven in this request. We have 17 in all. Seven is all we could manage to place before the committee for this year. They certainly would be. In the case of the school of business, if we were not able to construct the classroom facility, there is a very real possibility that the accreditation of our graduate program would be withdrawn.

I might add, Mr. Chairman, that our request is to enable these programs that are before you to maintain minimum standards for accreditation and not what we would consider the optimum standards.

STUDENT LOAN DEFAULTS

Senator HATFIELD. Now, President Cheek, the question of student loan default which I understand the current rate is about 35 percent with an overall rate of 51 percent counting those loans which are returned to the Federal Government for collection, are there some specific steps that you could give to the committee that are being undertaken to improve the collection of such defaulted loans?

Dr. CHEEK. Yes, Mr. Chairman. I think over a 2-year period that has been decreased from some 67 to 20 percent. We have placed these delinquencies in the hands of attorneys. We also have utilized the Department of Education and their program, and with those two steps we have been able over a 2-year period to bring about the kind of decrease that I indicated. It is our expectation that the trend we have witnessed over the past 2 years will continue.

BUDGET REDUCTIONS

Senator HATFIELD. I'm going to ask you a question now that is not going to be easy for you to answer, but as you realize, the Federal Government is going through a budget reduction exercise at the present time and it is anticipated that most of the funds provided for higher education and other educational programs are going to be reduced from past year levels and from this year's 1982 budgets that are presented by the outgoing administration.

Is it possible for you to identify areas in your budget request that are desirable but not absolutely necessary that could be part of the reduction program if that reduction program is applied to Howard University's budget?

Dr. CHEEK. Mr. Chairman, as the request is, we have already done that. We have 17 schools and colleges. We have requested increased support for only seven of those. In addition, many of our academic buildings on campus are in need of repair. We are not seeking any funds in this request for the continuation of the campus renovation program that was begun several years ago.

It is my judgment that we have already performed the budget cutting of our request with the assistance of the Department of Education and with the Office of Management and Budget. Everything that we have before you I would put in the category of mandatory inasmuch as these items relate specifically to the quality of our instruction as evaluated by external teams of accrediting experts.

Senator HATFIELD. You don't have any priorities that you can apply within this budget?

Dr. CHEEK. Mr. Chairman, in the submission of our request initially to the Department of Education, we did have priorities. The priorities for our schools and colleges and the university library system as well as the other budgetary requests represent our selection from the very top of our list.

SUBMITTED QUESTIONS

Senator HATFIELD. I have always admired your spirit and it's much in evidence here today as usual. Thank you, President Cheek.

Dr. CHEEK. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by the Subcommittee

SALARIES AND BENEFITS

Question: In your fiscal 1982 budget narrative you cite the following:

--Total enrollment will increase by 230 in 1982

--Faculty will increase by 56 members

Your budget request includes $8.4 million in increases for salaries and benefits over the 1981 level.

How do you justify such a significant increase in salaries and benefits for fiscal 1982?

Answer: Currently, the University is understaffed with faculty and related staff personnel in most of our schools and colleges. Our faculty/student ratios reflect a significantly higher number of students than that recommended by our accrediting associations. Therefore, this requested increase of 56 faculty members in fiscal 1982 over our fiscal 1981 level is designed to meet accreditation deficiencies and to enable the University to provide instruction to our students at a more acceptable level.

ALLOCATION

Question: What criteria or formula do you use to distribute annual salary increases?

Answer: In the case of faculty, the University uses Level I of the American Association of University Professors (AAUP) annual faculty salary study. Level I, which is not the highest level for faculty salaries in educational institutions, has been used by complex institutions such as Howard University to compute faculty salary adjustments. In addition, the University applies internal criteria related to peer and student evaluation, research, publications, and other factors such as committee service, etc. For non-faculty personnel, Howard University engaged the firm of Hay Associates to establish a non-faculty salary level comparable to both education and non-educational institutions in the Metropolitan Area. This study is updated annually and the increases recommended are the result of these and other related studies.

SALARIES AND BENEFITS

Question: For the record, please provide a list of salaries and benefits, including expense accounts, car, etc. for the President, other administrative officials and deans.

Answer: A breakdown of the salaries, expense accounts and fringe benefits for the President, administrative officials and deans are listed below:

HOWARD UNIVERSITY

Job Title	Salary	Commutation	Benefits in Addition to Salary
President	$101,432	$25,000	University housing, Retirement, Health Plan, Life Insurance, Annual and Sick Leave, Paid Holidays, Use of Automobile, and access to remission of tuition for children if attending Howard University
General Counsel	$ 75,865	$10,000	Same as above (Except Housing)
Executive Assistant to the President	$ 70,456	$ ---	Same as above (Except Housing and Automobile)
Special Assistant to the President	$ 70,042	$ ---	Same as above (Except Housing)
Vice President for Development	$ 74,750	$ 6,000	Same as above (Except Housing and Automobile)
Vice President for Business and Fiscal Affairs-Treasurer	$ 91,483	$14,500	Same as above (Except Housing)
Vice President for Administration and Secretary	$ 76,097	$ 4,000	Same as above (Except Housing)
Vice President for Student Affairs	$ 78,310	$ 6,000	Same as above (Except Housing and Automobile)

Job Title	Salary	Commutation	Benefits in Addition to Salary
Vice President for Academic Affairs	$ 83,472	$13,500	Same as above (Except Housing and Automobile)
Vice President for Health Affairs	$ 92,279	$13,500	Same as above (Except Housing)
Dean, Graduate School	$ 73,600	$ ---	Same as above (Except Housing and Automobile)
Dean, Social Work	$ 56,800	$ ---	Same as above (Except Housing and Automobile)
Dean, Liberal Arts	$ 58,000	$ ---	Same as above (Except Housing and Automobile)
Dean, Human Ecology	$ 56,444	$ ---	Same as above (Except Housing and Automobile)
Dean, Business and Public Administration	$ 68,445	$ ---	Same as above (Except Housing and Automobile)
Dean, Education	$ 53,320	$ ---	Same as above (Except Housing and Automobile)
Dean, Communications	$ 56,962	$ ---	Same as above (Except Housing and Automobile)
Dean, Engineering	$ 56,700	$ ---	Same as above (Except Housing and Automobile)

Job Title	Salary	Commutation	Benefits in Addition to Salary
Dean, Architecture	$ 48,400	$ ---	Same as above (Except Housing and Automobile)
Dean, Fine Arts	$ 55,920	$ ---	Same as above (Except Housing and Automobile)
Dean, Law	$ 69,200	$ 3,000	Same as above (Except Housing and Automobile)
Dean, Religion	$ 54,600	$ ---	Same as above (Except Housing and Automobile)
Dean, Medicine	$ 83,000	$ ---	Same as above (Except Housing and Automobile)
Dean, Dentistry	$ 71,500	$ ---	Same as above (Except Housing and Automobile)
Dean, Pharmacy and Pharmacal Science	$ 52,368	$ ---	Same as above (Except Housing and Automobile)
Dean, Nursing	$ 54,550	$ ---	Same as above (Except Housing and Automobile)
Dean, Allied Health Sciences	$ 50,186	$ ---	Same as above (Except Housing and Automobile)

SALARY COMPARISONS

Question: Are you aware of how these salaries compare with other universities of the same size?

Answer: We are aware of how these salaries compare with other universities of the same size. For private complex educational institutions, Howard is comparable in terms of salaries and related expenditures to similar private complex educational institutions.

BUDGET REDUCTIONS

Question: If other higher education programs in the Federal budget are reduced, are you prepared to make recommendations as to where Federal funds can be reduced from the appropriations to Howard University?

Answer: The proposed budget increase before the committee for Howard University has already been reduced to a bare minimum. The University proposed much higher increases to meet accreditation needs to the Department of Education initially and, after the hearing this request was reduced to the level before the committee. We do not feel that we can make any recommendations for further reductions without seriously impairing the accreditation status of the University and its ability to continue to serve our students in an acceptable manner.

ACCREDITATION DEFICIENCIES

Question: Your budget requests an additional $6 million over the fiscal 1981 level to help eliminate deficiencies identified by accreditation reports. What do these deficiencies include?

Answer: These deficiencies include criticisms from the appropriate accrediting associations for each of the schools and colleges as presented in our request. In the main, the associations have determined that Howard University has insufficient faculty and supporting staff to serve properly the student body that is currently enrolled in these schools and colleges. The accrediting agencies also state that many of the educational programs have insufficient materials, supplies, and equipment to meet their objectives. The University library has been criticized for having inadequate books, periodicals, subscriptions, etc., and insufficient personnel to serve the student body. The University library system affects virtually all of the 17 schools and colleges and must be upgraded if the University expects to maintain accreditation.

Question: Without these funds would Howard's accreditation be in question?

Answer: Yes. Howard University's accreditation would be in serious jeopardy by the various accrediting agencies without these funds. This is particularly true for the School of Business and Public Administration, since the University was given accreditation for its master's programs only upon the condition that funds would be available to construct a building for the school and remove its academic programs from the warehouse that has housed its total activities for almost five years. It is our understanding that accreditation will be withdrawn if these funds are not approved. In addition to the School of Business and Public Administration, each of the schools and colleges listed in this request have serious accreditation deficiencies. If funds are not provided for these schools and colleges, the University will have very serious problems maintaining accreditation. The committee should also understand that the University's request includes only seven (7) of our seventeen (17) schools and colleges. The remaining nine (9) schools and colleges (the School of Religion does not receive Federal funds) all have documented deficiencies from accrediting associations but no funds were requested to meet these needs during the 1982 fiscal year.

STUDENT LOAN DEFAULTS

Question: According to the most recent estimate of the Department of Education, Office of Student Financial Aid, Howard University's National Direct Student Loan Default rate currently is 35% with an overall rate of 51% counting those loans returned to the Federal Government for collection. What specific steps are you taking to improve your collection of defaulted loans?

Answer: The University during the past year has turned over to the Federal Government for collection a number of delinquent student loans. In addition to this process, we have engaged the services of several attorneys to take necessary legal action to assure that the loans are properly repaid. The University has also engaged the services of two collection agencies to assist us in locating those students whose addresses are not known to the University. For the period ended December 31, 1980, according to our records, our student loan default rate is 27.14 percent. This is a marked reduction from the previous 51 percent but is still unacceptable to Howard University. We intend to pursue every possible avenue available to us to further reduce this delinquency rate, where it is reasonable.

Question: Will any of the funding increases you have requested in fiscal 1982 be directed to the loan collection effort? Please explain.

Answer: None of the funding increases that we have requested in fiscal 1982 will be directed to the loan collection effort since accreditation of our educational programs has become one of our most serious deficiencies at the University. Therefore, we have allocated to the collection process private funds rather than a request for additional Federal funds to meet this need. Our student loan office has been provided additional personnel and the University is taking all possible steps to improve collections. The University also revised its computerized accounting procedures for student loan records during the past year to make certain that loan principal and interest is computed accurately, posted on a timely basis and all student addresses and billings are current. Our major problem is in locating the addresses of those students who are commonly known as "skips." These are persons who move without leaving a forwarding address and do not notify the University of their new address. We are pursuing all avenues to locate these individuals.

GALLAUDET COLLEGE

STATEMENT OF EDWARD MERRILL, JR., PRESIDENT

SUBCOMMITTEE PROCEDURE

Senator HATFIELD. President Edward Merrill, Jr., of Gallaudet College, welcome.

Dr. MERRILL. Good morning.

Senator HATFIELD. Do you wish to summarize your statement?

Dr. MERRILL. Yes, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

I'd like first of all to introduce the people I have with me in the room. I have Mr. Paul K. Nance, Vice President for Business Affairs; Dr. John S. Schuchman, Vice President for Academic Affairs; Dr. Robert Davila, Vice President for our Model Secondary School for the Deaf and the Kendall Demonstration Elementary School; and his interpreter, Jan Nishimura. Also I have with us Dr. Goldberg and Mrs. Christensen representing the Department of Education.

I'd like to summarize the statement. I am pleased to present to this committee on behalf of the Department of Education the fiscal year 1982 budget request for Gallaudet College, including the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School.

The college is requesting $50,402,000 for operations, an increase of $7,228,000 over fiscal year 1981, and $11,130,000 for construction, an increase of $4,536,000 over fiscal year 1981. In construction, a request of $500,000 is sought to enable the college to continue its commitment for removing all identified physical barriers in compliance with section 504 of the vocational rehabilitation legislation. This level of funding will enable the college to complete an additional 9 such projects, bringing the total number of projects completed by the end of fiscal year 1982 to 18.

DORMITORY CONSTRUCTION

A request of $10,630,000 is sought to construct a new dormitory to meet the expected undergraduate enrollment increase which will begin in fiscal year 1983 and continue through the 1980's. The deafness of these additional young people is due to a rubella epidemic of 1964–65. During these years the number of children born deaf more than doubled. While the number of deaf persons born in 1963 was about 3,800, the number born in 1964 and 1965 were 9,500 and 6,500 respectively. Based on these numbers, Gallaudet College and NTID are anticipating a large increase in enrollment leading to incoming classes in 1983 and 1984 of double the normal size.

In summary, the budget request for Gallaudet College includes an increase for operation of 16.7 percent. This breaks down to 10.9 percent built-in costs; 5.8 percent program improvement costs. This level of funding will enable the college to both continue to implement its long-range goals and to gear up for greatly increased undergraduate enrollments beginning in 1983.

RUBELLA EPIDEMIC

We are eager to address this challenge and to work with you to assure that the needs of deaf Americans are met throughout the 1980's. Mr. Chairman, I'd like to call your attention to this chart, the bar graph here, which shows the impact of the rubella epidemic of 1964 and 1965. This was a national tragedy that almost went unnoticed, but these children are alive. They are in secondary schools now. They will be ready for postsecondary education in 1983–84. Last summer the NTID and Gallaudet College sponsored a national meeting for postsecondary representatives on this group of students. Some of these young people because they were rubella babies have secondary handicaps which make them a difficult group to serve. If other institutions take their fair share, the results of this conference indicated that Gallaudet and NTID could expect to double their admissions in 1983—that is, accepting students who are qualified to enter who have the intellectual background, the achievement to profit from our programs, and to become productive citizens and taxpayers.

Mr. Chairman, this concludes my statement and I would be glad to respond to questions.

PREPARED STATEMENT

Senator HATFIELD. Your statement will be inserted in the record at this point.

[The statement follows:]

Statement of Edward C. Merrill, Jr.

I am pleased to present to this Committee on behalf of the Department of Education the FY 1982 budget request for Gallaudet College, including the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). The College is requesting $50,402,000 for operations, an increase of $7,228,000 over FY 1981 and $11,130,000 for construction, an increase of $4,536,000 over FY 1981.

In FY 1982 the College is requesting $4,724,000 in built-in increases, including $3,521,000 for faculty and staff compensation increases, $467,000 to annualize the cost of positions and the operation of new facilities initially included in the FY 1981 budget and $736,000 to meet increased utility costs. The program increases in the FY 1982 budget request for Gallaudet include $1,604,000 for the College, $641,000 for MSSD and $259,000 for KDES.

Gallaudet College is continually seeking new and improved ways to fulfill its mission as a national institution established specifically to meet the needs of deaf people. Our highest priority is to provide a uniquely supportive environment and a quality educational program for the students we serve. As we work to improve the quality of services to students, we are also mindful of our responsibilty to share techniques, materials, and innovative uses of technology with schools and programs across the country.

In the area of Public Services, Gallaudet is seeking improved ways to deliver a variety of services to deaf people in their local areas and to professionals serving deaf people throughout the nation. In order to deliver these services in an effective and cost-efficient way, the College has worked out cooperative agreements with educational agencies in over 20 States to make local education programs accessible to deaf people and to enable local communities and organizations to benefit from the resources of Gallaudet College.

The research programs at Gallaudet College provide a foundation for much of the research conducted nationally in the area of deafness and lead to the development of innovative techniques for teaching deaf children. Cued Speech is one such example. In FY 1982, the College will continue work to expand research in the areas of language development and mental health service delivery.

The FY 1982 budget will help the College to continue implementing these vital programs to provide services to deaf people.

The College: The program increases for the College program are primarily required to support an increase of 101 degree credit students and 1,149 Public Service program participants. The program increase for the College include $1,055,000 for the improvement and expansion of instruction; $101,000 for expanding a variety of Public Services Programs; $170,000 to provide student support services; $173,000 to provide academic support services to an expanded enrollment; $20,000 to extend the breadth of research on deafness and $85,000 to provide overall institutional support in areas of transportation, security, personnel, and building maintenance.

MSSD: The program increases for MSSD are required to support an enrollment increase of 70 students. These include $100,000 for instruction and curriculum improvements, $41,000 for research, $100,000 for academic support and $400,000 to maintain overall institutional support in areas such as student transportation, security, personnel, and building maintenance.

KDES: The program increases for KDES are required to support an enrollment increase of 30 students. They include $10,000 for instruction and curriculum improvements, $10,000 for student services, $26,000 for increased academic support programs, $9,000 for research activities, and $204,000 to maintain overall institutional support in areas such as student transportation, security, personnel and maintenance of a newly-opened facility.

Construction: A request of $500,000 is sought to enable Gallaudet College to continue its commitment to remove all identified physical barriers in compliance with Section 504 legislation. This level of funding will enable the College to complete an additional nine such projects, bringing the total number completed by the end of FY 1982 to 18.

A request of $10,630,000 is sought to construct a new dormitory to meet an expected undergraduate enrollment increase which will begin in FY 1983 and continue throughout the 1980's. The deafness of these additional young people is due to a rubella epidemic of 1964-65. During these years the number of children born deaf increased greatly. While the number of deaf persons born in 1963 was about 3,800, the number born in 1964 and 1965 were 9,500 and 6,500 respectively. Based on these numbers, total undergraduate degree credit enrollments at Gallaudet are expected to increase by 250 students in the fall of FY 1983, and 310 students in the fall of 1984. This means that the fall 1983 entering class will be double that of the previous fall. This dormitory, with its capacity of 215 students, is urgently required to meet a portion of this expanded enrollment. Indeed, even if it is constructed by the fall of 1983, expected housing demand will still exceed total available student spaces by 175 that fall, and by 385 students in the fall of 1984. A deficit of student spaces will continue in later years since combined enrollments of graduate and undergraduate students in the late 1980's and early 1990's is expected to remain at or above the level of the mid-1980's. Therefore, this new dormitory will be required for the foreseeable future.

In summary, the budget request for Gallaudet College includes an increase for operations of 16.7 percent. This level of funding will permit the College to both continue to implement its long-range goals and to gear up for greatly increased undergraduate enrollments beginning FY 1983. We are eager to address this challenge and to work with you to assure that the needs of deaf Americans are met throughout the 1980's.

This concludes the opening statement for Gallaudet College. I would be happy to answer any questions you may have.

Biographical Sketch

NAME : Edward C. Merrill, Jr.

POSITION : President, Gallaudet College

BIRTHPLACE AND DATE : Asheville, North Carolina, January 29, 1920

EDUCATION : University of North Carolina, 1942, B. A.
University of Tennessee, 1948, M. S.
George Peabody College for Teachers, 1953, Ph.D.

EXPERIENCE

Present : President, Gallaudet College
1961-1969 : Dean, College of Education, University of Tennessee
1960-1961 : Professor of Education, University of North Carolina
1957-1960 : Associate Dean for Graduate Studies, University of Rochester
1955-1957 : Associate Professor of Education, Auburn University
1953-1955 : Assistant Professor of Education, George Peabody College
1948-1951 : Assistant Principal and Teacher of English, Lee Edwards High School, Asheville, North Carolina
1946-1947 : Instructor in English, Asheville-Biltmore College, Asheville, North Carolina

MILITARY SERVICE : Army of the United States, ETO, W. W. II (Three Years)

ASSOCIATION MEMBERSHIPS : National Association of Hearing and Speech Agencies
Higher Education Group of Washington, D. C.
Conference of Educational Administrators Serving the Deaf
Convention of American Instructors of the Deaf
The Alexander Graham Bell Association for the Deaf
National Association of the Deaf
Professional Rehabilitation Workers with the Adult Deaf
American Association of School Administrators
Phi Delta Kappa (fraternal society for men in education)
Phi Kappa Phi (society recognizing scholarship)
President's Committee on Employment of the Handicapped

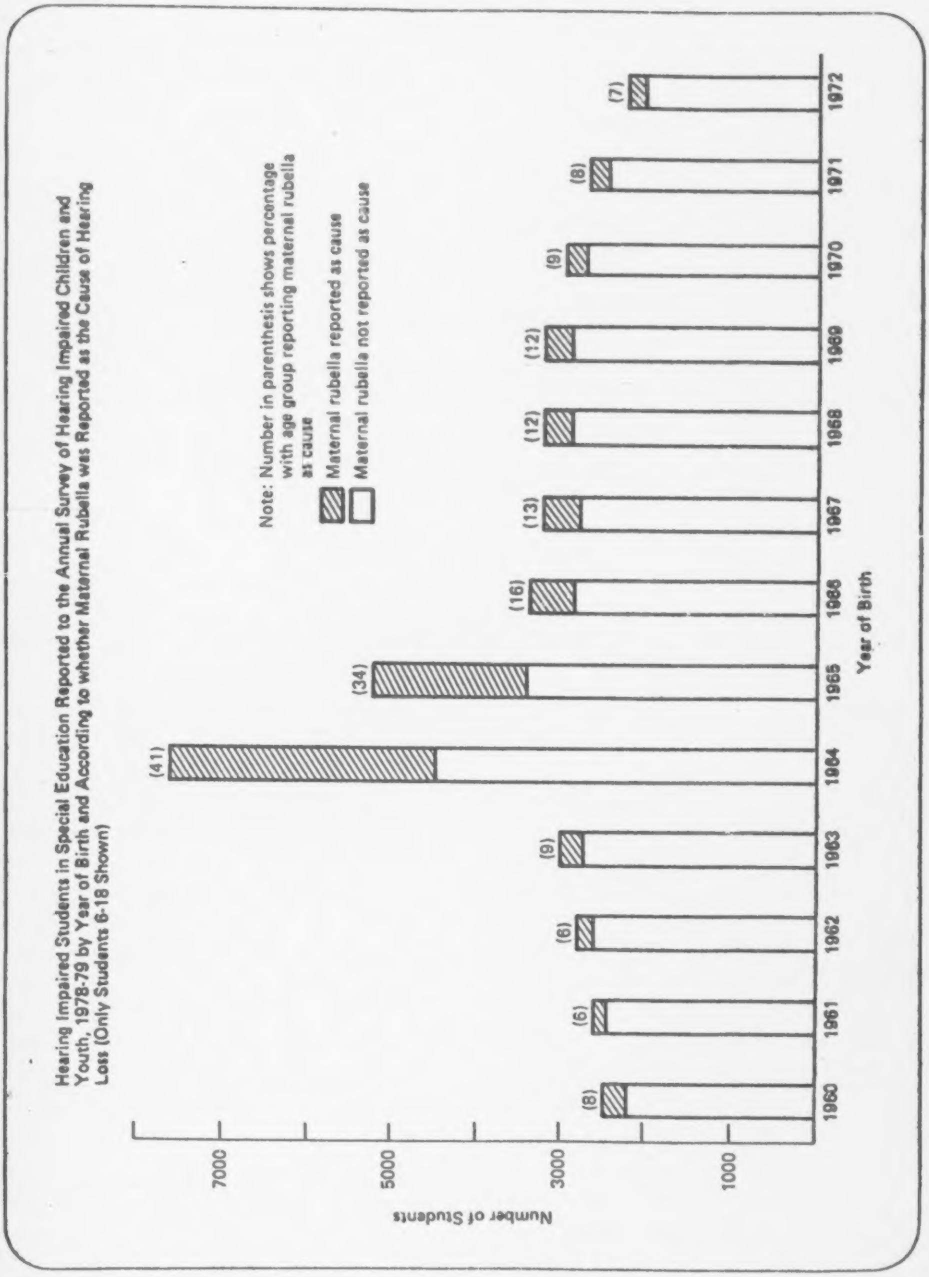
PUBLICATIONS (Selected) : Administrative Behavior in Education. Campbell and Gregg, eds., "The Individual and Administrative Behavior," co-author of Chapter 9, New York: Harper and Brothers, 1957

Better Teaching in School Administration (editor). Southern States Cooperative Program in Educational Administration, Nashville: McQuiddy Press, 1955

Professional Student Teaching Programs Danville: Interstate Printers and Publishers, 1967 (revised 1973)

"Dare a Liberal Arts College Serve a Special Purpose?" Liberal Education. Washington, D. C., Vol. LVIII, No. 3, October, 1972

"A Perspective on Higher Education," American Annals of the Deaf. Washington, D. C., Vol. 117, No. 6, December, 1972



Hearing Impaired Students in Special Education Reported to the Annual Survey of Hearing Impaired Children and Youth, 1978-79 by Year of Birth and According to whether Maternal Rubella was Reported as the Cause of Hearing Loss (Only Students 6-18 Shown)

Note: Number in parenthesis shows percentage with age group reporting maternal rubella as cause

Source: Annual Survey of Hearing Impaired Children and Youth, Office of Demographic Studies, Gallaudet College.

STUDENT ENROLLMENT

Senator HATFIELD. Thank you very much, Dr. Merrill. Could you give us any kind of projections on student enrollment, student population, say, in the next few years; about what the trend of that population will be?

Dr. MERRILL. Yes, sir; Gallaudet College expects to serve in fiscal year 1982 approximately 32,000 people. This includes about 27,000 people through public service workshops, conferences, seminars, and so on, as well as 2,106 in college level courses and about 700 in precollege courses.

Senator HATFIELD. Is that full-time students?

Dr. MERRILL. This includes both full-time and part-time students I would like to submit for the record the projections for 1983–84–85.

[The information follows:]

GALLAUDET COLLEGE PROJECTED ENROLLMENT—1982-85

	1982	1983	1984	1985
College:				
Undergraduate	1,150	1,225	1,475	1,760
Graduate	338	411	482	594
Sign language	618	640	660	660
Total credit	2,106	2,276	2,617	3,000
Noncredit	1,850	1,850	1,850	1,850
MSSD	480	500	500	500
KDES	200	230	240	260
Public services	27,569	28,722	29,588	30,402
Total persons served	32,205	33,578	34,795	36,012

NONFEDERAL FUNDING

Senator HATFIELD. Fine. I appreciate that. How do you generate non-Federal funding?

Dr. MERRILL. We do this in two ways. We apply for grants from the Federal Government and have received some of these. This would be Federal support that is not appropriated. We also have a development office which we use to attract private funding. We recently applied to the Dana Foundation and received a $250,000 grant over 3 years to improve our private fundraising. We look forward to doing more of this and I will be glad to provide for the record a breakout of our appropriations and nonappropriated funds.

Senator HATFIELD. All right. We would be pleased to receive that for the record.

[The information follows:]

GALLAUDET COLLEGE FINANCING ANALYSIS [1]

[In thousands of dollars]

	Fiscal year—		
	1980	1981	1982
Appropriation	22,791	26,829	32,310
Nonappropriated sources:			
Tuition and fees	1,122	1,295	1,428
Board	957	1,040	1,092
Room	525	576	606
Bookstore operations	838	873	975
Federal grants and contracts	980	980	1,093
Subtotal	4,422	4,764	5,194
Unbudgeted income from private sources	840	850	920
Total funds available	28,503	32,443	38,424
Federal funding, percent	81.2	82.7	84.1

[1] Does not include funding for construction or Kendall Demonstration Elementary School and Model Secondary School for the Deaf. Both schools are totally funded through Federal appropriations in the tradition of free public education at these levels.

KENDALL SCHOOL

Senator HATFIELD. How do you select students who enroll in the Kendall Demonstration Elementary School and what happens to those students that you're not able to accept?

Dr. MERRILL. The Kendall Demonstration Elementary School is as the name implies, a demonstration school. The attendance area is the District of Columbia, part of Virginia, and part of Maryland. It's a day school. Students do not stay there overnight. Parents apply for the admission of their children. They are given a diagnosis to see if the school can provide the appropriate educational program. An individualized program is then made and the students are admitted. We have approximately 160 students there now. The new building which we have will permit that enrollment to expand as the need generates itself. The students who are not admitted are referred to the LEA with which the school works to find appropriate placement.

It is very important to have a special school of this nature available because the deaf children there do get clear communication. They have meaningful interaction with deaf adults as role models. They have a full range of extracurricular activities and they have an opportunity really to feel nonhandicapped and they get, most important, a program designed for dealing with their disability.

The Model Secondary School, I might add, has a primary service area. It's a similar demonstration school and it has a primary service area of five States and the District of Columbia. Students from other States are permitted to enroll if there is room in the school. The enrollment is partially residential students and partially day students.

Both schools generate materials that are shared with other schools for the deaf and programs serving deaf children. We will be glad to submit for the record some of the materials which have been developed and used by 60,000 other hearing impaired children.

[The information follows:]

PRECOLLEGE MATERIALS SHARING

I. Examples of materials developed and disseminated by the MSSD and KDES to other programs around the country.

A. MSSD course overviews in 18 instructional areas icluding math, English, science, home economics, and communication.

B. Parent's Guide to the Individualized Education Program.

C. "How About That" (a series of four topical programs for deaf teenagers).

D. "The World Around You" (a biweekly publication on current events for deaf teenagers).

E. Socio-Emotional Assessment Inventory for Deaf Students.

F. "Perspectives" (a regular publication on professional issues for teachers and educational administrators).

II. Numbers of materials disseminated from August 1980 to February 1981.

A. Professional materials—$4,064.

B. Student materials—179.

C. "Perspectives"—6,963.

D. "The World Around You"—70,500.

PRIORITIZING

Senator HATFIELD. As I asked President Cheek, I'll ask the same question of you: What kind of prioritizing have you done in this budget and are there areas that might be desirable but not absolutely necessary?

Dr. MERRILL. It would be difficult to curtail our budget request. We have gone through a series of reductions of it before submission. We feel, therefore, that it is pretty essential to receive this funding in order to continue the mission of the institution.

Obviously, if we did not receive full funding, we would endeavor to accept students at Gallaudet College and the Model Secondary School and Kendall. This would result in the decline of quality in the program offered these students. Instead of having the kind of ratio of student to teacher we need, we would have to compromise on quality of services. So we would have more students in classes.

Furthermore, we would probably reach a point where, for the first time in history, Gallaudet would refuse to accept a qualified deaf student. We would not like to see that time come, but that would happen. The funds which we have asked for in construction are essential. Even with the addition of this new dormitory, we would still not be able to provide housing for between 200 and 300 students we expect will want to come to Gallaudet. As you know, nobody has to come to Gallaudet. It's just the other way around. Many people apply and want to come to Gallaudet and we select them on the basis of their being qualified.

SUBMITTED QUESTIONS

Senator HATFIELD. Thank you very much, President Merrill.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COLLEGE'S OPERATING COSTS

Question: How much of college operating costs are provided through Federal Funds? What is your Total Budget?

Answer: Between 80 to 85% of the College's operating costs are funded through federal appropriations. The College's total request for operating funds for fiscal year 1982 from Federal funds is $32,310,000.

PROJECTED ENROLLMENT

Question: Do you anticipate projected student population to increase significantly over the next few years?

Answer: Yes, we do. As a result of the rubella epidemic of 1964-65, we project that we will double our entering enrollments in both fiscal years 1983 and 1984. This will lead to undergraduate enrollments of over 1,700 students in the 1980's.

Question: As many colleges and universities are noting declining enrollments in recent years, on what information do you base your projected increased enrollment?

Answer: At Gallaudet College we have a research lab called the Office of Demographic Studies which conducts an annual survey of hearing impaired children and youth. In addition to providing census type information about these children, the survey also documents educational achievement levels for these students. Based on these data, we know where the rubella students are in the educational system and how well they are achieving. We find that, although a higher percentage of these students have secondary handicaps in addition to deafness, they have the same achievement profile as any group of high school-aged deaf students.

Based on this survey information, a conference held jointly with NTID and contacts with school programs, we have determined that the rubella students will seek to attend Gallaudet College at the same rate as other classes of deaf high school seniors.

In the years after the rubella students we expect to continue to have high levels of enrollment due to factors including the fact that improved elementary and secondary programs are producing more qualified students, that early and profoundly deaf students need the special services offered at Gallaudet, and that for many deaf students Gallaudet represents the most "normal" educational experience they can have. This year over 50% of our incoming students came from public school programs and we expect this trend to continue in the future.

COORDINATION BETWEEN NTID AND GALLAUDET COLLEGE

Question: To what extent is there coordination between the academic activities of the National Technical Institute for the Deaf and Gallaudet?

Answer: Gallaudet College and NTID work together on an ongoing basis in a variety of areas through the cooperative efforts of staff people. Some specific examples of such cooperative efforts are the bi-annual production of a career guide for deaf high school students which provides specific information on over 50 postsecondary programs which offer some level of support services for students. The MSSD and NTID are currently working together on a national Career

Education Project to develop and disseminate materials for deaf students. In addition we are working closely together in planning to meet the needs of the rubella students.

Question: Is there resource sharing, joint training activities or other instances of coordination?

Answer: The most recent example of resource sharing is the national conference on rubella which was held at NTID and hosted jointly by the two institutions. This conference brought together people from all over the country who will be involved in serving these students to begin to determine what the characteristics of this special population are and how best to meet their educational and training needs.

KENDALL SCHOOL

Question: How many students applv for admission to Kendall School each year?

Answer: Between 30 and 40 students apply annually.

Question: What percent do you accept?

Answer: The school accepts about 98% of the students who apply.

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF CARSON Y. NOLAN, PRESIDENT

ACCOMPANIED BY SALLY CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET

1982 BUDGET REQUEST

Senator HATFIELD. I will now turn to Mr. Nolan who is the president of the American Printing House for the Blind. We have your full statement and would you please introduce those who accompany you.

Dr. NOLAN. I will be pleased to summarize our statement, Mr. Chairman.

Our request totals $5,595,000 which is an increase of $674,000 over last year. This request falls into three categories. The major category is our request for funds to provide educational materials to legally blind children in this country. This request is for $5,209,000 which is an increase of $628,000 over last year. We anticipate that the number of legally blind children we serve this year will increase by 4.1 percent or 1,400, which is one justification for our increase, and the request would also increase the per capita amount per student over last year by 9.5 percent to $145.37.

Mr. Chairman, this would essentially supply to each child the same amount of material that we supplied last year.

A second category request is that for our advisory services. We requested $102,000 which is an increase of $12,000 over last year. The advisory services request funds the expenses of the special three committees that advise us in selection of textbooks, in the development of educational aids for the blind, and in our research and development program. It also provides money for salaries and travel expenses for field representatives who we use to inform our consumers of the availability of materials under the act. It also supplies funds for printed material which describe the educational materials available under the act.

Our third category is educational and technical research where we have requested $284,000 with an increase of $34,000. This is a program where we develop needed new materials, in addition to materials for the education of blind children in this country.

Mr. Chairman, I would be glad to answer any questions the committee might have.

PREPARED STATEMENT

Senator HATFIELD. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF CARSON Y. NOLAN

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and educational aids for use in education of blind children in special schools for the blind. In 1879 the Congress passed an Act, "To Promote the Education of the Blind," which, as amended, now enables the Printing House to provide educational materials for all blind children throughout the United States, its territories and possessions, through the secondary school level. The 1982 budget request for the American Printing House for the Blind is $5,595,000. This represents an increase of $674,000 above the 1981 level and will support activities such as educational materials, advisory committees and educational and technical research. These are the specifics of our request:

Educational Materials

The request of $5,209,000 for educational materials is an increase of $628,000 over fiscal year 1981 which when taken together with the $10,000 permanent appropriation will supply an estimated 35,900 pupils (the fiscal year 1981 base of 34,500 pupils plus an additional 1,400) with educational materials. The estimated fiscal year 1982 per capita rate of $145.37 is an increase of 9.5 percent over that requested in 1981. The increase in eligible students is 4.1 percent.

Advisory Committees

The request of $102,000 for expenses for Advisory Committees and field representatives is an increase of $12,000 over the amount requested in fiscal year 1981. The funds will enable these Committees to continue to evaluate and recommend annually to the Board of Trustees the necessary educational materials and aids to be developed and produced. In addition, they will enable Printing House field representatives to assist educators throughout the nation to obtain and use the special materials made available under the "Act".

Educational and Technical Research

The request of $284,000 for educational and technical research is an increase of $34,000 over the amount appropriated in fiscal year 1981. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, mathematics, science, and for special groups such as the multi-handicapped blind. This request will, also, enable us to support this development through research in such areas as perceptual development and cognitive development.

The American Printing House continues to serve a growing and complex group of blind children with a wide variety of educational materials in many different forms. As of January 1980, 25,714 legally blind children were registered through State departments of education, 6,845 were enrolled in residential schools, and 2,251 were in rehabilitation programs. Of this group, 5,563 read braille, 13,142 read large type, and 15,058 used other media for reading. Eighteen-hundred and ninety-three students were deaf-blind.

The Printing House produces new educational materials and aids each year. In addition, it reprints and reproduces materials already in its catalogues as new supplies are needed. Last year we carried a finished goods inventory of over $3,000,000. We published the following catalogues:

Braille Publications, Large Type Textbooks, Educational and Other Aids, Braille Musical Publications, and Recorded Materials (both records and cassette tapes).

Progress was made in several areas last year that should have lasting impact on our ability to promote the education of the blind.

1. We completed a $2,000,000 addition to our plant which should result in increased efficiency to meet educational materials needs.
2. We enlarged and modernized our facilities for producing educational aids.
3. We started distribution of Patterns, the first braille reading curriculum especially designed for blind children.
4. We completed production of the new World Book Encyclopedia, Recorded Edition.
5. We continued our program of development of materials for multi-handicapped students.

Review of our work reveals steady progress in meeting the educational needs of blind children. With respect to the current year, we are on schedule in production to meet our commitments to the schools for the school year beginning in September 1981.

I am leaving the Committee catalogues and copies of the Annual Report of the American Printing House for the Blind 1980 which give a complete account of Printing House activities as well as the work of the Advisory Committees.

Mr. Chairman, I would be glad to answer any questions you may have.

Biographical Sketch

Name:	Carson Y. Nolan
Position:	President American Printing House for the Blind
Birthplace and Date:	Indianapolis, Indiana, October 21, 1925
Education:	University of Kentucky - BS and MA, 1950 Washington University - PhD, 1953
Experience:	
1979 to present:	President, American Printing House for the Blind Louisville, Kentucky
1976-79:	Vice President and General Manager American Printing House for the Blind
1958-76:	Director, Department of Educational Research American Printing House for the Blind
1960-72:	Adjunct Associate Professor, Department of Psychology University of Louisville
1956-58:	Research Scientist, Human Resources Research Office, Fort Knox, Kentucky
1953-56:	Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas
Association Memberships:	Association of Education of the Visually Handicapped American Educational Research Association Council Exceptional Children
Publications:	Over 100 professional monographs, chapters, and articles

STUDENT ENROLLMENT

Senator HATFIELD. President Nolan, you mentioned something about the increased enrollment or projecting the student enrollment picture.

Dr. NOLAN. Yes, sir.

Senator HATFIELD. Could you give us for the record perhaps a more comprehensive analysis of what your projections for student enrollment down the road 2, 3, or 4 years might be?

Dr. NOLAN. Yes, we certainly can.

[The information follows:]

PROJECTED ENROLLMENT

The American Printing House for the Blind's projected enrollment is as follows:

	Increase	Cumulative
Fiscal year:		
1982	1,400	35,900
1983	1,500	37,400
1984	1,500	38,900
1985	1,500	40,400
1986	1,500	41,900

INCREASED PROJECTIONS

Senator HATFIELD. What do you generally base your increased projections upon?

Dr. NOLAN. We base them on past history. Over the last 15 years, for example, the increase in legally blind children enrolled in formal education programs in this country has ranged between 1,400 and 1,600 a year.

Senator HATFIELD. You have had, of course, in the past, erratic situations too dealing with premature children years ago which involved——

Dr. NOLAN. Yes; there was quite a bulge in the population in the 1950's due to retrolental fibroplasia being a major contributor to the cause of blindness.

Senator HATFIELD. Are the increases now a fairly steady line without these bulges due to certain unique causes?

Dr. NOLAN. Yes, sir; certainly over the last decade the increase has been quite steady, an average of about 1,500 students a year.

Senator HATFIELD. As far as the materials that you're relating to here in your testimony, what percent of eligible youngsters are not receiving these materials because of insufficient funds?

Dr. NOLAN. Mr. Chairman, every legally blind child in this country who's enrolled in a formal education program and registered with his State is entitled to these funds. We make an annual census each January of this group. Those who don't receive materials are those who are not, for some reason, enrolled in a formal educational program.

Senator HATFIELD. So that everyone who's enrolled is receiving the materials?

Dr. NOLAN. Yes, sir.

Senator HATFIELD. Do you have reason to believe that there is a significant number or a number not enrolled that would be eligible if they were enrolled?

Dr. NOLAN. I would suspect there's a very small group of children who are not enrolled, and for a variety of reasons.

STATE AND LOCAL RESOURCES

Senator HATFIELD. I see. How much of the total support is provided by State and local resources?

Dr. NOLAN. The total support for educational materials, Mr. Chairman?

Senator HATFIELD. Yes.

Dr. NOLAN. That varies quite widely throughout the United States. In some States the appropriation provides almost all the materials that are made available to blind children. In other States the appropriation is greatly augmented through State and local funds. But it varies quite widely.

BUDGET PRIORITIZATION

Senator HATFIELD. And, President Nolan, have you prioritized your budget in any way that would indicate levels of funding that might be desirable but not absolutely necessary?

Dr. NOLAN. Well, we're always prioritizing all of our activities, Mr. Chairman, including our budget; and as I mentioned to you in my remarks on the amount for educational materials, we have not asked for funds to increase the amount of educational materials that could be bought for students but kept that amount equivalent to that for last year. It's very difficult to answer the question you asked. Certainly we wouldn't want to reduce the educational materials. If we reduced the resources, we have to inform people about availability of educational materials. In effect, we would have to reduce the availability of these materials. We are particularly concerned about the necessity of our research funds with the advent of Public Law 94–142 and a tremendous increase in the number of legally blind children who have severe multihandicapped conditions, who are not candidates for academic educational programs. We have had a great burden of developing new materials to serve the big onrush of these children who become enrolled in formal educational programs.

Senator HATFIELD. Thank you very much, President Nolan.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

STATEMENT OF WILLIAM E. CASTLE, DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF, AND VICE PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

ACCOMPANIED BY:

W. S. THOMPSON, ASSISTANT TO THE DIRECTOR

WILLIAM H. WILLIAMS, DIRECTOR OF GOVERNMENT AFFAIRS

MALCOLM NORWOOD, LIAISON OFFICER TO NTID FROM THE DEPARTMENT OF EDUCATION

SALLY CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET, DEPARTMENT OF EDUCATION

SUBCOMMITTEE PROCEDURE

Senator HATFIELD. I would like now to invite William E. Castle, Director of the National Technical Institute for the Deaf. I believe you have some colleagues who are accompanying you, if you wish to introduce them, Mr. Castle, and to highlight your statement, we would be very happy to hear from you.

Dr. CASTLE. Thank you very much, Mr. Chairman. I'd like to introduce to you Mr. W. S. Thompson who's the Assistant to the Director of NTID; Dr. William H. Williams who is the Director of Development and Government Affairs of the Rochester Institute of Technology; and Dr. Malcolm Norwood who's from the Department of Education and serves as liaison officer for NTID.

Senator HATFIELD. We welcome each of you here.

Dr. CASTLE. In brief, we are requesting for the fiscal year 1982 budget for the National Technical Institute for the Deaf a total of $32,811,000. Of this, an amount of $3,266,000 is an increase for operations and $9,240,000 is for new construction which will be needed as indicated by Dr. Merrill earlier, at the time we begin to serve a doubling of the number of admitted students at NTID in the fall of 1983.

PREPARED STATEMENT

Senator HATFIELD. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF WILLIAM E. CASTLE

I am pleased to present the 1982 request for the National Technical Institute for the Deaf on behalf of the Department of Education.

As you know, the National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. We are also involved in training professional staff to serve the Nation's deaf population and are conducting research into educational achievement, communications, personal/social instruction, economic and employment aspects of deafness. The 1982 budget request for the National Technical Institute for the Deaf is $32,811,000. This represents an increase of $12,506,000 above the 1981 level and will support activities such as career development, research, training, information dissemination, management, and new construction. The following are the specifics of our request:

Career Development

The total amount of $14,645,000 for Career Development represents an increase of $2,363,000 of which the entire amount is for built-in increases. These built-in increases include $906,000 for salary increases and associated fringe benefits. This increase is necessary in order to keep faculty and staff salaries competitive. In addition, $946,000 is for rate increases in contracted student and physical plant services including $264,000 for adjustment to prior years' contracted services due to escalating energy and food costs, changes in minimum wage and social security legislation, and $511,000 is for 13 additional staff to accommodate an increase in 75 FTE deaf students. This increase in students is primarily due to the fact that the students are staying longer to pursue more advanced degrees.

The education provided at the National Technical Institute for the Deaf transcends the normal technical education provided by an institute of technology and embraces personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since more than 98 percent of our graduates who seek employment have been placed in jobs within six months of their graduation.

Research

The total amount of $2,296,000 for research represents an increase of $311,000 above the 1981 level. This increase is for built-in costs associated with faculty and staff salaries and benefits and rate increases in contracted services. In 1982, the funding level will be used to support applied research in the technical and general education of the deaf population. More specifically, research is conducted in the areas of speech, audiology, manual communication visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decision making, educational support services, and instructional technology. Additionally, instructional studies relating to the characteristics of NTID's target population, and the accommodation of graduates to work will be initiated. NTID will also focus a major effect on reporting of NTID proven products, procedures, and systems with broad-based impact to other organizations with deaf education responsibilities.

The primary focus of NTID's research efforts has not deviated from the direction set forth in the 1965 Department of Health, Education, and Welfare report on the education of the deaf. In that report, it was suggested that the

> "...unsatisfactory state of education of the deaf cannot be attributed to any lack of dedication of those who teach and work with the deaf. The basic explanation lies in our failure to launch an aggressive assault on some of the basic problems of language learning of the deaf through experience or well-

planned and adequately supported research, and in our failure to develop more systematic and adequate programs for educating the deaf at all levels."

In the foreseeable future, complete solutions to some of these age-old problems are perhaps beyond the scope of NTID's research efforts, but NTID has already received a number of benefits from its research efforts and, as a result, students are leaving NTID better prepared for their future. In addition, research findings which can provide assistance to professionals and educators working with the deaf will be disseminated through workshops and publications.

Training

The total amount of $2,805,000 for training represents an increase of $325,000 above the 1981 level. Of this increase, $167,000 is for built-in increases for faculty and staff salaries and fringe benefits, and $158,000 is for rate increases for contracted services. Continued emphasis will also be placed on training programs for professionals, graduates, interns, counselors, job placement specialists, and interpreters. In 1982, we will begin an Associate's degree program for interpreters. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to us for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Pre-service training for teachers of the deaf will continue in conjunction with the University of Rochester and in-service training will be provided through faculty exchanges, internships and fellowships.

Information Dissemination

The total amount of $1,530,000 for information dissemination represents an increase of $57,000 above the 1981 level. All of the increase is for built-in costs associated with faculty and staff salaries and benefits. These monies will be used to improve deaf education nationally by sharing educational techniques and processes, research findings, and training techniques.

Among other products for dissemination, the award winning quarterly publication Focus is currently distributed to more than 17,000 professionals in deaf education, business, and government providing them with a greater awareness and appreciation of the capabilities of our Nation's deaf citizens. Also, our Product Catalogue, featuring NTID-produced research and teaching materials, has received outstanding response.

Management

The total amount of $2,295,00 for management represents an increase of $210,000 above the 1981 level. Of this increase, $144,000 is for salary and fringe benefit increases for staff and $66,000 is for rate increases in contracted services. These monies will be used to provide for the coordination and facilitation of program activities. The student data, personnel, staff, budgeting, and financial reporting systems will continue to undergo constant evaluation and alteration. Additionally, a long-range planning module is being developed to help NTID anticipate and respond to the needs of the deaf community and the professionals supporting it.

Construction

The total amount of 9,240,000 for construction to expand facilities and staff to accommodate the substantial increase in college-age deaf citizens due to the Rubella epidemic of 1963-1965. The existing facilities were constructed to serve 750 deaf students. Through modifications, the capacity has been increased to 925 students, approximately the current enrollment. The existing facilities cannot accommodate any more students or new programs. The Rubella epidemic in 1963-1965 greatly increased the incidence of deafness in children born in 1964-1966. These youths will first be at the normal age to be recruited and enrolled by NTID in the summer of fiscal year 1983 in preparation for the fiscal year 1984 academic year.

A classroom and laboratory building of 60,000 square feet is planned. It will increase the school's capacity by 575 students for the peak enrollment years by temporarily allocating space for direct instructional use which normally would be used for training and out-reach functions and which will be reallocated to those functions when the Rubella enrollment bulge has passed. Additionally, a new dormitory of 72,000 square feet is planned to provide more housing space for the expanding student population. The housing will be designed around a programmatic concept designed to prepare deaf students for the eventuality of independent living. Students will be doubled up during the Rubella surge though this will be phased down as the surge subsides.

In summary, the 1982 request is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunities for the handicapped. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap and become contributing members of society. Much remains to be done and with the continued support of the Congress and the Department of Education, NTID will be able to continue its mission on behalf of the deaf.

Mr. Chairman, I will be pleased to answer any questions you may have.

Biographical Sketch

NAME:	William E. Castle
POSITION:	Vice President - Rochester Institute of Technology Director - National Technical Institute for the Deaf
BIRTHPLACE AND DATE:	Watertown, South Dakota; September 5, 1929
EDUCATION:	Northern State Teacher College, 1951, B.S. State University of Iowa, 1958, M.A. Stanford University, 1963, Ph.D.
EXPERIENCE:	
1979 - Present	Vice President - RIT, Director - NTID
1969 - 1979	Dean and Director, NTID
1968 - 1969	Assist. to the V.P. & Director of Division of Instructional Affairs, National Technical Institute for Deaf

1965 - 1968	Assoc. Secretary for Research & Scientific Affairs, American Speech and Hearing Association
1963 - 1965	Assistant Professor, Speech Pathology & Audiology, University of Virginia Assoc. Secretary for Research & Scientific Affairs, American Speech & Hearing Association
1961 - 1963	Instructor, English, Experimental Phonetics Lab, Stanford University
1961 - 1961	Instructor, Speech Correction, Central Washington State College
1960 - 1961	Instructor, English, Experimental Phonetics Lab, Stanford University
1958 - 1960	Instructor, Speech Correction, St. Cloud State College
1956 - 1956	Customers Broker, Frank P. Dow Company
1952 - 1956	Communications Specialist, United States Air Force
1951 - 1952	Secondary Teacher, English & Speech, Faulkton High School

ASSOCIATION MEMBERSHIPS:

Academy of Rehabilitative Audiology
Acoustical Society of America
Alexander Graham Bell Association (Life Membership)
American Association of Community Junior Colleges
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council for Exceptional Children
GeVa Theatre
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
Nathaniel Rochester Society
National Association of the Deaf
National Organization for Women
National Rehabilitation Association
New York State Association of Junior Colleges
New York State Speech & Hearing Association
Registry of Interpreters for the Deaf
Rochester Museum and Science Center
Rochester Philharmonic
Smithsonian Institution
Teletypewriters for the Deaf

PUBLICATIONS:

"Effects of Selective Narrow-Band Filtering on the Perception of Normal Listeners of Harvard PB-50 Word Lists" Journal of Speech and Hearing Association of Virginia, Fall, 1963, 12-21, Castle, W.E.

"The Meaning of a Technical Education for Deaf Youth", The Deaf American, February, 1970, Castle, W.E.

"Uses of Technology to Improve the Communication Skills of the Deaf," Presented to the International Congress on Education of the Dean in Tokyo, Japan, August, 1975, Castle, W.E., Johnson, D.D., and Subtelny, J.D.

"Communication Skills Improvement of Deaf Adults: New Hope for Families with Deaf Members" (with

K.E. Crandall), Proceedings of the V World Congress on Deafness in Copenhagen, Denmark, August, 1977.

"NTID - Something New in the Education of the Hearing Impaired," Proceedings of the XI World Congress on Otorhinolaryngology, Buenos Aires, Argentina, March, 1977.

ENROLLMENT/ADMISSIONS

Senator HATFIELD. What is the current total enrollment?

Dr. CASTLE. Approximately 940 deaf students are at the National Technical Institute for the Deaf. I should remind you that the National Technical Institute for the Deaf is an integral part of a larger institution which is the Rochester Institute of Technology and which has 7,500 hearing students.

Senator HATFIELD. How many applicants are turned away each year or are they all received?

Dr. CASTLE. This past year only 68 percent of the applicants were found to meet the criteria for admissions to the NTID.

Senator HATFIELD. Out of how many?

Dr. CASTLE. Sixty-eight percent.

Senator HATFIELD. Sixty-eight percent?

Dr. CASTLE. Sixty-eight percent were found to meet the criteria for admissions to NTID.

Senator HATFIELD. And what was the total number of applicants?

Dr. CASTLE. The total number of applicants was 692.

Senator HATFIELD. Is that a high or low percentage? It seems rather high to me. What were the reasons for their failure to meet the criteria?

Dr. CASTLE. The basic reason for failing to meet the criteria would be not having at least a general educational achievement of eighth grade or better. A second reason would be not meeting the audiological requirement for entry in terms of the technical definition for deafness which is 70 decibels or more hearing loss in the better ear by international standards.

Senator HATFIELD. You mean they have to have a greater percentage of hearing?

Dr. CASTLE. They must be severely deaf or profoundly deaf and there are many young hearing-impaired persons who apply to come to NTID who do not have that level of hearing loss.

Senator HATFIELD. All right. For the nonphysical reasons of those who do not qualify, is that information cranked back into the schools from which they come in any way to try to upgrade those school programs in order that more might qualify in the future?

Dr. CASTLE. Yes, sir; but that takes quite a spell of time to accomplish. We are just beginning to impact on what may happen for young deaf people prior to their coming to NTID.

Senator HATFIELD. Can you give me some estimate of what that represents in a trend, that percentage of disqualified young people?

Dr. CASTLE. I can refer to it on a historical basis.

Senator HATFIELD. That's what I mean.

Dr. CASTLE. In the early years of NTID we were turning away far many more applicants.

Senator HATFIELD. More?

Dr. CASTLE. Yes; that was primarily because the people who were advising the young deaf people did not fully understand the criteria for admissions to NTID. There is a fuller understanding of that today.

GRADUATE FEEDBACK

Senator HATFIELD. I see. Do you have an assessment on your graduates, their success record?

Dr. CASTLE. Yes; we have an ongoing project of graduate feedback research. I think the important thing to point out with respect to our graduates is the following: 79 percent of the graduates go into the labor force. The other 21 percent go into higher education beyond what they have achieved at NTID, and a fractional percentage become housewives. Of the 79 percent in the labor force, 98 percent are placed upon graduation by our placement counselors. Of this contingent, 95 percent are in jobs commensurate with the training that they received at NTID.

Senator HATFIELD. Ninety-eight percent?

Dr. CASTLE. Ninety-eight percent are placed—95 percent of those placed are in jobs commensurate with their training; 82 percent are employed by business or industry, therefore, by the private sector. I think it's also important to point out that these individuals are thereby very productive citizens. Our latest calculations suggest that by the time the average graduate from NTID retires from his employment he will have paid back the Federal Government for the cost of his education 518 percent of that amount. Additionally, he will have saved the Federal Government 300 or 400 percent of that cost by not depending on welfare.

Senator HATFIELD. That sounds to me like a very good record.

Dr. CASTLE. We are very proud of it and wish to continue it.

BUDGET PRIORITIZATION

Senator HATFIELD. Now have you any prioritizing in your budget?

Dr. CASTLE. Like the other parties here, we have done that rather rigorously in the budgeting process internally and our order of priorities is to give first attention to the career development of the deaf students who come; second, attention to the training of additional professionals to work with the deaf; third, attention to research; and fourth, attention to information dissemination. These are our four basic charges.

SUBMITTED QUESTIONS

Senator HATFIELD. It sounds like all these budgets have been scourged before they arrived at the inquisition this morning. We will have additional questions that we will submit to all of you gentlemen for the record and we would like to have you respond to them perhaps within a week if you could.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ENROLLMENT

Question: What is your current enrollment?

Answer: Our current enrollment is 940 deaf students. The number of other professionals trained are approximately 3000.

ADMISSIONS

Question: How many applicants are turned away each year?

Answer: Approximately one-third or 200 applicants are turned away each year.

Question: What were the reasons they were turned away?

Answer: Most applicants were turned away because they did not meet the criteria for entry. Admission to NTID is based on a complete comprehensive evaluation of each student's potential for successfully completing a program of study which will provide an employable skill. Individuals are selected solely on the basis of ability to benefit from the instruction and without regard to sex, race, religion, creed, color, national origin or place of residence. The information needed for this purpose as a part of the application process includes:

a. A review of medical, psychological and audiological records. Students must meet the technical definition of deafness, which by international standards is 70 decibels or more of hearing loss in the better ear;

b. Academic achievement and school progress reports. Students must have at least a general educational achievement of eighth grade or better;

c. Recommendations from teachers, school principals, and others who are acquainted with the student; and

d. Personal interviews by appropriate staff members wherever possible.

Another 22 students who met these requirements are on a waiting list.

Question: Was it due to lack of resources?

Answer: Yes. The 22 students who met the requirements of admissions to NTID were not enrolled because we do not have the space or equipment to accommodate them. Currently 20 percent of our faculty are doubled up in offices making it very difficult to do the coaching and counseling so vital to the development of these young deaf citizens. Additionally the capacity of our career educational programs is highly equipment dependent. For example, the space in our architectural drafting laboratory is sufficient to house 13 drafting tables. We have no more room to add more tables. Consequently we cannot simply add more students to a classroom as one might do in a lecture hall environment. We are constrained by our equipment intensive laboratory capacity.

Therefore we are currently left with no other alternative but to keep these eligible students on a waiting list.

This problem will be greatly exacerbated in fiscal years 1983 through 1989 because of the rubella epidemic of 1963-1965. It is our firm judgement that by fiscal year 1984, if we do not construct the new space we have requested in this submission, there will be over 700 students on the waiting list. This is an intolerable situation given that the average age of an entering student is nearly 19.5 years.

PLACEMENT

Question: How successful is your job placement of graduates?

Answer: NTID has been successful in the following ways:

- 95 percent of all NTID graduates who entered the labor force have been placed in jobs commensurate with their training.
- 85 percent of the graduates are in the labor force compared with 61 percent of all deaf adults.
- Of those graduates in the labor force, only 6.8 percent are unemployed.
- 77 percent of the graduates are employed in white collar occupations compared with 50 percent in the general population and 27 percent in all deaf adults.
- 49 percent of the graduates are employed in professional, technical, managerial or administrative positions compared with 10 percent among all deaf adults and 25 percent in the general population.
- Over 82 percent of NTID graduates are currently working in business and industry rather than in government or education as has been the tradition.
- Graduates from NTID will on the average repay the Federal government 518 percent of the cost of their education and will save the government another 300 percent of that cost by not depending on welfare.

ENROLLMENT INCREASES

Question: What trends in enrollments do you anticipate in the next several years?

Answer: NTID's enrollment is expected to increase by over 60 percent in the coming years and admissions is expected to double.

Question: To what factors do you attribute these trends?

Answer: Unfortunately, the rubella epidemic that swept the country between 1963 and 1964, greatly increased the incidence of deafness which normally occurs at a rate of one per thousand. Given the projection of high school graduates through 1987, the number of deaf graduates which would normally be expected can be estimated as follows:

Fiscal Year	Total Graduates	Deaf Graduates Normally	Total Deaf Graduates (Rubella & Normal)
1981	2,944,000	2944	2705
1982	2,835,000	2835	2873
1983	2,740,000	2740	7232
1984	2,692,000	2692	4802
1985	2,694,000	2694	2886
1986	2,740,000	2740	N/A

As can be seen, a survey by the Gallaudet College Office of Demographic Studies correlates closely with normal expectations for all years except 1983-1984 and 1984-1985. Due to this epidemic, the number of deaf 19 year olds will be approximately 7,200 in 1983 and 4,800 in 1984. In these two years, the number of college age deaf students will increase from one per thousand to 2.6 and 1.8 per thousand.

Assuming NTID will continue to attract 11 percent of the deaf 19 year olds, our enrollment will increase as stated above by 60 percent.

CONSTRUCTION

Question: How do your construction plans take into account the increases in enrollment that you expect?

Answer: The existing facilities were constructed to serve 750 deaf students. Through modification, the capacity has been increased to 925 students, approximately the current enrollment. The existing facilities cannot accommodate any more students or new programs. These rubella youths will be recruited and enrolled by NTID in the summer of FY 1983 in preparation for the FY 1984 academic year. A summary of expected available college age deaf students and their impact on NTID follows:

Fiscal Year	College Age Deaf Youth	Admission (11% of Cohort)	NTID Enrollment	NTID Facilities Capacity	
				Teaching	Housing
1978	2,800	321*	799*	750	750
1979	2,850	339*	851*	925	750
1980	2,694	346*	922*	925	750
1981	2,705	325	939*	925	750
1982	2,873	340	1,000	1,000	750
1983	7,232	645	1,000	1,000	750
1984	4,802	645	1,235	1,500	1,050
1985	2,886	320	1,500	1,500	1,050
1986	2,800	320	1,310	1,300	1,050
1987	2,800	320	1,185	1,300	1,000
1988	2,800	320	1,102	1,300	950
1989	2,800	320	1,047	1,300	900

*Actuals: the rest are planning numbers.

A classroom and laboratory building of 60,000 square feet is planned. It will increase the school's capacity by 575 students for the peak enrollment years by temporarily allocating space for how the impending Rubella surge is to be coordinated both nationally and within the states

2) NTID uses the data base of Gallaudet's Office of Demographic Studies (ODS) to assist in planning. One of NTID's staff members is on the Board of Directors of ODS.

3) Research cooperation has occurred in the areas of sensory aids for communication and sign language, cooperative occupational research and a feasibility study on AAS in Library Science. Additionally, several NTID researchers have contributed articles to Gallaudet's Direction Press and peer review has occurred on many research projects.

4) Collaboration has occurred relative to providing continuing and cooperative education for deaf adults.

5) Gallaudet College and NTID sponsored a national conference on Educational Placement and Support Services for Hearing Impaired students in K-12. An information booklet will be co-published.

6) Mediated instructional and entertainment materials have been shared. Additionally we have discussed the possibility of cooperatively producing TV programs for the deaf community.

7) Joint discussions have occurred relative to Gallaudet adapting a computer based career decision making program currently used at NTID.

In the area of joint training activities we have collaborated in the following ways:

1) The National Project on Career Education (NPCE) is a joint project between NTID and Gallaudet. This project has national importance since its goal is to ensure that each of the 50 tates have a comprehensive plan (K-12) for career education for deaf students.

2) Over the years Gallaudet students have participated in the NTID internship program. Additional staff exchange programs are currently being discussed in areas of employment research and instructional television.

3) Plans are underway to jointly present employer training programs for supervisors of deaf people.

4) NTID and Gallaudet College are working collaboratively with 30 other interpreter training programs throughout the country to form the Conference of Interpreter Trainers. The second national conference was held at NTID March 12-15, 1981.

Other areas of coordination are as follows:

1) NTID's Communication Profiling system has been shared with the Model Secondary School for the Deaf. Their student population was tested and it was determined that

direct instructional use which normally would be used for training and outreach functions, and which will be allocated to those functions when the rubella enrollment bulge has passed. 22,000 square feet of space will be freed up after the rubella bulge has subsided and will be used to allow NTID to accomplish its training and information dissemination goals mandated by the Agreement pursuant to PL 89-36.

Currently RIT and NTID dormitories are over-subscribed. NTID has a housing capacity of 750 students. At this very moment 150 of our students are forced to live off campus as are many RIT students. Thus 72,000 square feet of new living quarters is planned to provide additional housing space for the expanding student population. The housing will be designed around a programmatic concept intended to prepare deaf students for the eventuality of independent living. The plan is to build approximately 75, one, two and three bedroom apartments each with a bath, living room and kitchen and designed to house 150 students. The details are as follows:

# Apts.	# Bedrms	Students/ apt. during rubella	Students/ apt. after rubella	Total Students* during rubella	Total Students after rubella
25	1	2	1	50	25
25	2	4	2	100	50
25	3	6	3	150	75
75				300	150

*Students will be doubled up during rubella surge and eventually phased down as the surge subsides.

COORDINATION WITH GALLAUDET

Question: To what extent is there coordination between the academic activities of the National Technical Institute for the Deaf and Gallaudet?

Answer: Both NTID and Gallaudet share curriculum in the areas of career decision making and planning, sign language training, new student orientation, preparatory studies, art and visual communications, business administration, speech and audiology.

Both institutions make every effort to facilitate student transfers when it is apparent there is a mismatch of course offerings, abilities and interests.

Additionally, both colleges collaborate to produce the College/Career Guide which provides information on post-secondary career opportunities throughout the U.S. for deaf adults.

Question: Is there resource sharing, joint training activities, or other instances of coordination?

Answer: NTID and Gallaudet have shared resources as follows:

1) NTID hosted a National Conference on Rubella for over 100 deaf educators and 50 state rehabilitation coordinators. NTID and Gallaudet shared the cost and provided many of the speakers. This provided the forum to discuss

our test instruments could be extended to the secondary school age population.

2) An NTID Associate Dean serves as a member of the Gallaudet College National Academy Advisory Committee.

3) Rubella program planning.

SUBCOMMITTEE RECESS

Senator HATFIELD. The committee will stand in recess until 2 o'clock this afternoon when we continue the hearings on the Department of Education.

[Whereupon, at 11:30 a.m., Thursday, March 5, the subcommittee was recessed, to be reconvened at 2 p.m., this same day.]

(AFTERNOON SESSION, 2:05 P.M., THURSDAY, MARCH 5, 1981)

NATIONAL INSTITUTE OF EDUCATION

RESEARCH AND RELATED ACTIVITIES

STATEMENT OF MILTON GOLDBERG, ACTING DIRECTOR

ACCOMPANIED BY:

- JOHN W. CHRISTENSEN, ASSOCIATE DIRECTOR, ADMINISTRATION, MANAGEMENT AND BUDGET
- ARTURO MADRID, DIRECTOR, FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT
- VIC WENK, DEPUTY ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT
- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET

SUBCOMMITTEE PROCEDURE

Senator RUDMAN [presiding]. We will call the subcommittee to order.

We will complete our Department of Education hearings at this juncture. I expect we will have many more after the 10th.

We are going to discuss the Fund for the Improvement of Postsecondary Education, the National Center for Education Statistics, and the National Institute of Education.

We have Dr. Milton Goldberg, Deputy Assistant Secretary for Education, Professional Development, and Dissemination, Office of Educational Research and Improvement.

I would ask you to introduce the other members of your panel. That sure is a long title. [Laughter.]

PREPARED STATEMENT

We will incorporate your entire statement into our record here today.

[The statement follows:]

STATEMENT OF MILTON GOLDBERG

I appreciate the opportunity to present the budget request for the Educational Research and Related Activities appropriation which includes the National Institute of Education (NIE), and the National Center for Education Statistics (NCES), and the budget requests for the Fund for the Improvement of Postsecondary Education (FIPSE), and the Minority Institutions Science Improvement Program (MISIP) from the Educational Improvement appropriation. This presentation covers a supplemental appropriation of $8.4 million for fiscal year 1981 and a budget including an additional $12.3 million, or an 11 percent increase, for these programs for fiscal year 1982.

The research-related and postsecondary education improvement programs are viewed as investments for addressing future national educational problems which neither State nor local educational agencies alone are equipped to address. They represent a little over $100 million, less than one percent of the Department's current budget.

National Institute of Education

In fiscal year 1982, the National Institute of Education request is $84 million to support research and development activities aimed at solving national problems faced by educators and students at all levels of education. The research activities which this budget supports have been designed in cooperation with teachers, school administrators, and policymakers to insure that they address their concerns.

The budget reflects a commitment to the goals of increased educational equity and improved local educational practice, and builds on past work. Continued support would be provided in the areas of teaching and student achievement through improving essential skills in reading, writing and mathematics, improving teaching and the use of tests, and identifying characteristics of effective schools. Further research would be focused on issues such as the financing, organization, and management of postsecondary institutions, as well as on studies of how research knowledge is translated into school practice. Technical assistance would continue to be provided for school improvement on a regional basis.

The increase of $4.9 million over the fiscal year 1981 level, including the supplemental request, would allow the Institute to conduct new research in the areas of teacher staff development, reading and writing instruction, testing and evaluation, postsecondary finance, youth employability, and rural education. It would also enable an expansion of the Educational Resources Information Center (ERIC) and provide special grants to State educational agencies for school improvement and staff development activities.

The long-term nature of research is such that it takes an estimated five years or more for research results to affect practice in the classroom. Over the past several years, federally-funded studies have made significant contributions in the improvement of our education system.

A broad spectrum of the educational community receives NIE assistance through workshops, parent and teacher guides, and other publications translating research results into practical assistance. State and local policymakers are helped through dissemination grants, technical assistance on school finance, and through publications for school administrators on declining enrollments, discipline, high school curriculum trends, and similar topics. Staff of the Institute also furnish assistance to Congress and the Executive Branch through testimony and background information, and by working on mandated studies of compensatory education, school violence, vocational education and other policy areas.

National Center for Education Statistics

The National Center for Education Statistics is the principal unit within the Department with responsibility for collecting and analyzing statistical information relating to the condition of education in the United States and abroad. The 1982 budget request for the Center is $13.4 million, which represents an increase of $3.5 million over the 1981 level. The increase would enable the Department to provide useful information for State and Federal education policymakers over the next several years--during a period when we expect major changes in the operation and financing of public and private schools and colleges throughout the Nation.

The 1982 budget request is targeted to the collection and analysis of data on the current condition of education and to the clarification of trends and changing conditions. The basic data collection effort is designed to meet specific needs of State, local and private educational officials, and, in addition, to provide general services to the public and special studies requested by the Executive Branch or the Congress.

Among the studies which the Center would support with these 1982 funds are: a national data system to measure Federal program participation by students in private schools ($500,000); a survey to examine the content, quality and relevance of high school curricula ($100,000); and a major study of pre-primary educational programs, including an analysis of the kinds and quality of services they offer ($500,000).

NCES has instituted a number of in-house training and management improvement activities which should result in more timely reports and publications, as well as reductions in the reporting requirements and paperwork burdens.

In addition to the support of special policy-relevant studies, the budget would continue to fund the Educational Statistics Information Center, and to provide grants to State and higher education officials for maintaining high quality and standardized data systems, and making more effective use of them.

Fund for the Improvement of Postsecondary Education

The third program I am presenting involves Federal grants to improve the quality and diversity of postsecondary education. The 1982 budget request for the Fund for the Improvement of Postsecondary Education is $20.4 million, an increase of $3.4 million over the 1981 level, which includes a $3.5 million supplemental request.

The increase in the 1982 budget request for the Fund is based on serious concerns for the institutional changes that will need to take place in postsecondary education over the next decade. The changing character of the postsecondary population, and the rapid growth of part-time adult students are having profound effects on programs offered by postsecondary institutions, particularly those serving local communities. The proposed increase was also influenced by the success that the Fund's relatively small grants have had over the past several years. The Fund provides support for projects that are locally-designed and locally-administered. Proposals originate from colleges, consortia, professional associations, and a variety of organizations that serve postsecondary learners.

Since its establishment in 1972, the Fund has awarded over 700 grants to agencies operating in every State. Competition is rigorous; some 80 to 110 awards are made after a review of 1,500 to 2,000 proposals annually. Evaluation showed that 70 percent of these FIPSE grantees continue locally after the grant has ended, and that they are often adapted by other postsecondary institutions. The increase for the Fund would provide the opportunity to address several priority areas: (1) grants to demonstrate uses of technologies and telecommunications facilities to extend learning opportunities to handicapped persons, students in rural isolated areas, or part-time adult learners; (2) special projects to expand career training opportunities for low-income persons funded in cooperation with the Department of Labor; and (3) activities to help colleges and high schools cooperate in the teaching and writing and the use of standardized and achievement tests.

Minority Institutions Science Improvement Program

The final major activity presented here involves a request of $5.6 million for the Minority Institutions Science Improvement Program (MISIP), a $650,000 increase over 1981. This program was transferred from the National Science Foundation as part of the Department of Education Organization Act, and it has been placed within the Fund for the Improvement of Postsecondary Education because of its institutional relationships and complementary strategies. MISIP also involves a very competitive grant process. Its focus, however, is on improving science education in institutions serving Blacks, Hispanics, Native Americans and other minorities. The number of scientists, engineers and technically-trained persons among minority groups is extremely low. This program is tied to a comprehensive strategy to improve science education coordinated with NSF and other discretionary programs in the Department of Education.

Like the Fund, MISIP provides relatively small grants designed to bring about institutional improvements. The proposed increase would focus on helping minority-serving colleges to work with local and area high schools to identify and prepare young students interested in science learning and scientific careers. It would also help some of our top colleges and universities work with minority-serving institutions in training science faculty.

Proposed Supplementals - 1981

NIE: The fiscal year 1981 supplemental appropriation of $4.9 million for the National Institute of Education would provide additional support for research in the following areas: improving instruction in reading and writing; educating children with limited ability in English; examining instructionally effective schools for low-income children; improving our understanding of how children learn to study effectively; improving understanding of the meaning of individual and group differences in test scores within and between schools; and examining how school organization affects the delivery of education services, especially to postsecondary institutions.

FIPSE: The fiscal year 1981 supplemental appropriation of $3.5 million for the Fund for the Improvement of Postsecondary Education would provide funds to help a diverse group of public and private institutions to help assure quality learning in the face of the unusual stress and the needs of a rapidly changing population of students in the 1980's. It would also help to improve access to graduate and professional education for women and minorities.

This concludes my presentation. My colleagues and I will be pleased to answer any questions the Committee may have regarding policies and budget proposals associated with these research and improvement programs.

INTRODUCTION OF ASSOCIATES

Dr. GOLDBERG. I am also the Acting Director of the National Institute of Education.

Senator RUDMAN. Good. That's shorter. [Laughter.]

Dr. GOLDBERG. On my far left is Arturo Madrid, Director of the Fund for Improvement of Postsecondary Education; John Christensen, Associate Director, Administration, Management, and Budget, National Institute of Education.

I also have Vic Wenk, Deputy Administrator, National Center for Education Statistics; and Sally Christensen, Acting Assistant Secretary for Planning and Budget.

SUMMARY OF STATEMENT

I would like to summarize the major points of my statement.

Senator RUDMAN. All right. We will proceed.

Dr. GOLDBERG. Mr. Chairman, there is widespread agreement that the Federal role in support of research, data analysis, data collection, and dissemination is central. The programs before you today—the National Institute of Education, the Fund for the Improvement of Postsecondary Education, and the National Center for Education Statistics—each supports one or another of these activities. I will concentrate on the National Institute of Education and Dr. Madrid and Mr. Wenk will say something briefly about the Fund for the Improvement of Postsecondary Education, and the National Center for Education Statistics.

There are three reasons that explain why the Federal Government takes primary responsibility for the development and use of new educational knowledge.

First, the products of research are nationally usable and the costs of developing it ought to be nationally shared.

Second, the costs of development are reduced when the available resources are coordinated in such a way as to avoid duplication.

Third, it is in the national interest to assure that State, local, and Federal dollars invested in the educational systems are made with the fullest possible knowledge of the education process.

Mr. Chairman, in the nearly 10 years of its existence, NIE has made a number of significant contributions to education and educators at all levels.

I will insert a summary of these activities at this point in the hearing record.

Senator RUDMAN. That will be inserted in the record.

[The information follows:]

THE NATIONAL INSTITUTE OF EDUCATION (NIE)

A VALUABLE RESOURCE IN EDUCATIONAL RESEARCH AND DEVELOPMENT

NIE's distinctive role, by law, is to support educational research development and dissemination in order to expand the opportunity for all students to have access to a quality education.

High priority is given to seeing that the best fruits of NIE's research and development programs are useful to people involved in the improvement of education in every level.

NIE has a growing record of success in providing such services as:

ASSISTANCE TO CONGRESS:

o Congressional Testimony

The Institute is often called upon to provide expert testimony. (e.g. on the nature of basic skills problems; the meaning of the National Assessment of Educational Progress mathematics results, the policy implications of declining enrollments, and the problems of private and public high-school principals.)

o Compensatory Education (Mandated Study)

NIE conducted a major study of compensatory education programs which was instrumental in the reauthorization of Title I of the Elementary and Secondary Education Act.

o Vocational Education (Mandated Study)

NIE is currently managing a study of vocational education which will provide information, data, analyses, and insights that will bear directly upon the reauthorization of Federal vocational education legislation. An interim report was submitted to Congress and the President September 1980 with the final report due September 1981.

o Safe School Study (Mandated Study)

This comprehensive study now stands as the basic reference for those seeking to understand the problems of violence and vandalism in schools. Currently available are the Executive Summary, a compilation of the substantive findings, the methodology report, and a documentation of the magnetic data tapes. NIE is encouraging the broadest possible secondary analysis of this data which is the most comprehensive to be found anywhere.

ASSISTANCE TO FEDERAL POLICYMAKERS:

o Department of Education - Office of Civil Rights (OCR)

The NIE Desegregation Studies team has been actively involved in the development of Federal policy as it relates to school desegregation. Its activities include reviewing school district desegregation plans; providing OCR with research-based information concerning educationally effective components of school desegregation plans; and serving as a clearinghouse by sponsoring the Desegregation Dialogue Group which enables federal officials to stay on top of relevant information and research findings.

- Experience-Based Career Education (EBCE)

  NIE supported the development of the Experience-Based Career Education Program, a model for integrating school and work experiences for youth ranging from dropouts to National Merit Scholars. EBCE has been implemented nationally in cooperation with the Bureau of Occupational and Adult Education, Youthwork, Department of Labor programs, and over 200 school systems. Many of the features of EBCE are those called for by the new report on the Supported Work Experiment.

- Department of the Navy - Literacy Training

  Because of the successful development of NIE supported programs related to experience based education, the Department of the Navy provided NIE with funds to develop a computer-assisted literacy program for Navy recruits. Now being pilot-tested in Orlando, Florida, the early findings have been so encouraging the Navy is considering installing the program in all its major training centers.

- Department of Labor - Career Intern Program

  NIE supported the development and evaluation of the Career Intern Program (CIP), an alternative high school for potential school dropouts. Because of its effectiveness, the Department of Labor has provided funds to NIE to replicate the program in four cities (Detroit, Seattle, Poughkeepsie, and New York City).

- Department of Education - Basic Skills Steering Committee

  Institute staff participate on the Office of Education Basic Skills Steering Committee, which is responsible for coordinating basic skills programs (e.g., Title I, Basic Skills Improvement Program, Teacher Center). NIE furnishes relevant research material to the committee (e.g., Dialects and Educational Equity, a guide for teachers of children who speak vernacular Black English.)

- Push/EXCEL and Cities in Schools Evaluations

  The three-year evaluation of these two USOE funded programs is in progress. Evaluators are tracking the progress of the high risk inner city youth the programs are designed to help, and will draw connections between the interventions made by the programs and changes in student achievement, motivation and behavior. Findings, which are provided to the program and to other "stakeholders" on a continuous basis, are designed to contribute to the development and the strengthening of the programs.

- Document Design Project - Improvement of Forms

  Through the Document Design Project, NIE provided an analysis of the Basic Educational Opportunity Grant form (BEOG) for the Office of Education, which resulted in a revision of the 1980-81 forms and instructions.

- National Science Foundation/NIE Joint Program on Mathematics Education

  NIE's research on mathematics learning has led to a new collaboration with the National Science Foundation in a program of development and research on the use of modern information-handling technology in the classroom.

- Bureau of Indian Affairs (BIA) Educational System Study

  NIE and BIA jointly funded a study to develop data and trends for policy decisions regarding the equitable funding of the BIA educational system. Using the study's recommendations, NIE and BIA staff produced an implementation plan for portions of PL 95-561, which took effect in October 1979.

ASSISTANCE TO STATE AND LOCAL POLICYMAKERS:

- Big-City School Superintendents' Network on Urban Education

  The Network provides a forum for superintendents from 19 cities to discuss possible solutions to problems they identify as critical to urban schools (e.g., educating non-English speaking children and those with handicapping conditions); for exchanging related research information; and for identifying those areas where more research is needed. Superintendents from Albuquerque, Atlanta, Boston, Chicago, Cincinnati, Columbia, Dallas, Detroit, Hartford, Honolulu, Houston, Kansas City, Los Angeles, New York, Oakland, Philadelphia, Portland, Seattle, and Washington, D.C. have joined the network.

- School Finance

  Plain Talk About School Finance provides clear, helpful information on this complicated subject. Ten thousand copies have been requested by State legislatures, a wide segment of the education community and the general public. It has been used in eleven States by the American Federation of Teachers to educate teachers about school finance reform issues. NIE has also conducted workshops on issues, practices, and policies, for teachers and legislative staff, in California, Connecticut, Florida, Illinois, Michigan, Missouri, New York, Ohio, Pennsylvania, Rhode Island, and Texas.

  NIE has sponsored a broad range of technical assistance, policy studies and dissemination activities focused on school finance equalization. Since 1976 direct technical assistance has been provided to 35 states. A number of these activities have resulted in the enactment of reform legislation.

  NIE also sponsors several publications and other activities to keep state and local policymakers and other interested parties informed of current developments in school finance.

- The National Review Panel on School Desegregation Research

  The Panel, with its advisory board of judges, lawyers, researchers, policymakers, school administrators and teachers, synthesizes knowledge about the effects of school desegregation. Results of the panel's work, sponsored by Duke University, have been published in two, two-volume sets of Law and Contemporary Problems. The Panel, which is funded by NIE, OE and the Ford Foundation, has developed a handbook, "Increasing the Effectiveness of School Desegregation: Lessons from Research," for educators and policy-makers on what we know and what we need to know about school desegregation.

o The National Project and Task Force on Desegregation Strategies

With NIE's support, the Task Force has compiled a profile of State desegregation activities, has published reports geared to States' concerns, and serves as a clearinghouse for desegregation related information of interest to the States. Two regular publications of this Task Force are Progress, which provides news on State policies and activities, on National, judicial and legislative actions of interest to the States, and brief summaries of the research literature and other publications on desegregation; and Legal Analysis provides for non-lawyers up-to-date expert analyses of the most recent legal developments related to school desegregation.

o Alternatives to Suspension

In-School Alternatives to Suspension is a report on an NIE sponsored National Conference that explored ways to help school districts decrease their reliance on suspensions as the primary means of disciplining students who violated school rules. Recommendations included the identification and treatment of problems leading to school disruption.

o Rural Education Policy Study

Education in Rural America: A Reassessment of Conventional Wisdom, was the first major study of rural educational policy published in over three decades. Selected as one of the eleven "must books" for 1977 by the National School Boards Association, it is now being sold commercially.

NIE received over 20,000 requests for a chapter reprint entitled "Economy, Efficiency and Equality: The Myths of Rural School and District Consolidation." The book is currently being used by students at Harvard, Dartmouth, the University of Vermont, and other colleges and universities. It is used by State legislators (e.g., Iowa, Minnesota, and Vermont) in deliberations about school district reorganization policies and by people in local school districts.

o State Legal Standards for the Provision of Public Education

This compilation of education laws of the fifty States and the District of Columbia, produced in 1974 and again in 1978, has been made available to governors, attorneys general, State Legislative libraries, and law school libraries in every State. NIE has also filled hundreds of requests from teachers, principals, legislators and lawyers.

- **State and Local Input into National Policy for Linguistic Minority Students**

  This NIE study examined the relationship between Federal bilingual requirements and those of selected States. It has provided the State of Illinois with information that was used to develop a new bilingual policy. Similar contributions are expected to be made in other States involved in the study (e.g., Texas, New York, Massachusetts, Florida and California).

ASSISTANCE TO THE EDUCATION COMMUNITY:

- The National Conference on Achievement Testing and Basic Skills

  This NIE sponsored conference provided the first national forum for the discussion of new issues in testing. The Conference reinforced the limitations of the Federal role and gave a new emphasis to research and technical assistance that would render tests more useful to teachers and more understandable to parents and other citizens.

  The Institute supports a Clearinghouse on Tests, Measurements and Evaluation; and one on Applied Performance Testing, both of which distribute testing information nationwide.

- Declining Enrollments: The Challenge of the Coming Decade

  This publication, now in its second printing, represents the first collection of declining enrollment research. It addresses the issue from a broad range of policy perspectives.

- National Center for Research on Bilingual Education

  NIE supports the National Center for Research on Bilingual Education through a 5-year cooperative agreement. The Center will provide research toward helping in the education, bilingual children and understanding the problems of the bilingual community.

- Research Within Reach

  An NIE-supported series of publications called Research Within Reach makes research findings useful to classroom teachers.

  The first publication in the series, Research Within Reach: A Research-Guided Response to Concerns of Reading Educators, released in October 1978, has been disseminated to National, State, and local institutions, agencies, and programs concerned with reading instruction. The International Reading Association is making copies available to its 70,000 members.

  A series on elementary school mathematics has been completed. Twenty-one research bulletins dealing with such topics as remediation, diagnosis, problem solving, counting and staff development are presently available. Several of the bulletins have been reprinted in the Journal of the Center for Teaching and Learning of Mathematics.

Work has begun on the next series on oral and written communication which should be available in October 1981.

- Grants to Minority and Women Researchers

  The Institute has developed programs that offer opportunities for minority persons and women to participate more fully in education research. Three hundred sixty-one scholars have participated to date in the Minorities and Womens Program to provide new balance, skills, and perspectives to the education research community.

- The Comprehensive School Mathematics Program

  NIE supported the development of the Comprehensive School Mathematics Program (CSMP), a math curriculum designed to increase math skills of students from kindergarten to sixth grade. The kindergarten to third-grade component is being used by over 32,000 students. The curriculum for grades four to six is being pilot-tested in eight school districts.

- Social Development of Young Children and Cognitive Development in Young Children

  The NIE-supported publications Social Development of Young Children and Cognitive Development in Young Children provide teachers of pre-school and elementary school children with brief summaries of current research in these areas. NIE has distributed over 20,000 copies of these publications which are widely used by elementary school teachers and by teacher training programs.

- "Freestyle"

  Freestyle, a 13-part television series, was developed to reduce the limiting effects of sex-role stereotyping on the career-related interests, activities, and behavior of 9- to 12-year old youngsters. Since October 1978, the series has been widely shown by PBS stations nationwide. It received the 1979 daytime TV Emmy award and an award for outstanding achievement in children's television from Action for Children's Television. School systems may tape the series off the air for in-school viewing. Teachers' guides and student materials are also available.

- Education Satellite Program

  The NIE-supported Alaska and Appalachia satellite projects, have developed communications satellites systems that deliver educational services to approximately 500,000 people in their schools and communities in isolated rural areas.

  The Appalachia network, which covers 13 States, has allowed 20,000 teachers, school administrators, and community members to complete one or more courses and workshops. Over 3,000 will receive graduate credit from the 60 participating colleges and universities.

  In Alaska, all 52 school districts, some 200 communities, and approximately 5,000 teachers are receiving educational assistance by satellite.

- o Assessment of Testing Instruments for Limited English-Speaking Students

  This publication provides teachers and school administrators information on the adequacy of testing instruments available to assess the performance of elementary school students whose first language is Chinese, French, Italian, Navajo, Portuguese, Spanish, or Tagalog.

- o "Options In Education"

  NIE helps to support Options in Education, a weekly program broadcast over National Public Radio (NPR). "Options" investigates all of the "burning issues" in education: finance, discipline, drugs, teacher competence, mainstreaming, etc. The only nationally broadcast radio series devoted exclusively to education issues, it is NPR's second most popular series, and is carried regularly by 89% of NPR's 215 stations.

- o Beginning Teacher Evaluation Study (BTES)

  The Commission for Teacher Preparation and Licensing (CTPL) in California, with NIE support, initiated a comprehensive program of basic research on teaching and learning that has led to improvements in teacher training and to better educational experiences for children. One of the study findings shows a direct correlation between the amount of time teachers allocate to direct instruction in a particular content area and learning in that content area. Results of the study are influencing the training and licensing of teachers in California, and are being disseminated through the National Diffusion Network. School system interest in the study is high.

  In one application of these findings, the Austin, Texas, public schools gained $4,000,000 of effective instructional time without additional direct cost, time which had the predicted effect on improving student reading and mathematics achievement.

- o National Commission on Working Women

  NIE has supported the National Commission on Working Women (NCWW) in its effort to identify the educational and training needs and opportunities of blue- and pink-collar women. NCWW has held regional dialogues on these issues and will hold six State dialogues and a National conference in 1980. It has provided technical assistance to four States, labor leaders and the business and education communities. The results of a national survey of 150,000 working women to determine their education, training and job-related needs, has been disseminated to labor unions, corporations, and State officials across the country.

- o The Development of Material on Testing for Teachers

  This project, being completed at NIE's Center for Study of Evaluation (CSE) at UCLA, represents a collaborative effort to train teachers in the uses and abuses of tests. Teacher workshops were held and materials disseminated across the country.

- Your Child and Testing

  This handbook for parents is about to be published by NIE at the request of the GPO Consumer Publication Clearinghouse in Pueblo, Colorado. GPO receives more requests for information about tests and testing than any other subject.

- Student Team Learning

  Student Team Learning is a set of teaching techniques designed to help students in desegregated classrooms work together in class. This approach, significantly increases achievement in the basic skills, as well as building friendly relationships both inside and outside the classroom. This was done at the NIE Center for the Organization of Schools at Johns Hopkins University.

- Technical Assistance to Teacher Centers

  Since 1975, NIE has supported the Teachers' Centers Exchange, which links and provides a range of services to more than 400 teacher centers throughout the country. After the inception of the Federal Teacher Center Program in 1977, NIE funded two additional assistance projects to help teacher organizations develop effective project designs.

- The Effective Schools Project

  The Institute's effective schools effort focuses on discerning the circumstances and reasons where schools are doing an unusually effective job in raising students' achievement. Findings from one such study provided the basis for the development of a school improvement program recently initiated by the New York City school system.

- The Southeast Regional Council for Educational Improvement

  State School Chiefs from 10 Southeastern states, with NIE support, established the Council in 1978 to promote policy research and analyses in support of long-range planning. The Council considers planning based on research and analysis to be essential in this region that is, unlike most parts of the country, experiencing growth.

  The Council is giving its initial attention to rural education, and is working closely with the Southern Youth Policies Board and the Appalachian and Southwest Regional Labs.

- The Northeast Planning Consortium

  Chief State School Officers from six New England states and New York have come together in this consortium. They are seeking ways to provide assistance (e.g., training and material) to teachers and administrators in this area of the country.

- Handbook of Basic Citizenship Competencies

  This publication suggests effective designs for educational programs that will prepare this generation of young people to be responsible citizens. In addition to the handbook, the Basic Citizen Competencies Project publishes a leadership guide for principals and checklist for teachers, parents and community leaders.

- Regional Programs to Help Education Problem Solving

  Seven NIE-supported regional exchanges, working through 43 State departments of education, foster communication between researchers, developers, policy makers and teachers. The regional exchanges provide information, training and technical assistance which support school improvement efforts.

  In addition, five educational laboratories are offering regionally focused resources to help solve the specific policy problems of education agencies. For example, the Southwest Educational Development Laboratory sponsors policy seminars and symposia for State legislators and State department of education policymakers across a six-State area on such pressing educational issues as minimal graduation requirements and educational finance.

ILLUSTRATIVE PROJECTS OF THE LABORATORIES AND CENTERS

NIE supports eight regional educational laboratories and nine research centers. The primary purpose of the labs is to determine and help meet the educational research and development needs in a specified region of the country, while the centers provide national research leadership in a specified problem area of national importance. They conduct a wide variety of R&D activities, from fundamental research through dissemination and technical assistance. Following are brief descriptions of some of their accomplishments:

- CEMREL, a St. Louis-based lab that serves ten midwestern States, has developed two major curricula for elementary schools: Aesthetic Education, and the Comprehensive School Mathematics Program (CSMP). The Aesthetic Education materials provide a theoretical and practical structure for integrating the fundamentals of aesthetic perception through the arts. To date, over one million children have worked with these materials and 30,000 teachers around the country have had training for the program. NIE's support of the basic research program in symbolic language (Project Zero, at Harvard) led to a major conference, sponsored by CEMREL, on the Arts, Cognition, and Basic Skills. This conference and its proceedings gave impetus to the current national innovative approach to teaching mathematical concepts (grades K-6). Currently, materials for grades K-3 are being used by more than 45,000 children and 1400 teachers nationally. Materials for grades 4-6 are being field-tested around the country.

  CEMREL's Regional Exchange, Research & Development Interpretation Service, and Urban Education Program are collaborating in the development of guidebooks for teachers and administrators called Research Within Reach. A guidebook (Composing Childhood Experience) has been featured at four regional conferences sponsored by the National Council of Teachers of English.

- Much of the work performed at the Wisconsin R&D Center on Individualized Schooling (WRDCIS) at the University of Wisconsin has centered around the development of programs in Individually-Guided Education (IGE). One of these--the Wisconsin Design in reading and IGE mathematics--has been tried out in a number of pilot schools where they have affected the schooling of several hundred thousand students. In addition, the teaching and administrative problems and advantages of these approaches have also been studied, providing valuable information on the implementation of individualized schooling in general.

- The Northewest Regional Educational Laboratory (NWREL) in Portland, Oregon has developed an alternative program for high school juniors and seniors. Students in this Experience-Based Career Education program (EBCE) spend the last two years of high school gaining experience in the community. Sixty-seven such programs are now being offered in 100 school districts in 26 States where the Laboratory has directly assisted in training local staff and providing instructional materials. In an additional 8 States, NWREL has assisted in preparing educators in implementing these Experience-Based Career Education programs. The Laboratory is now helping schools and other agencies apply these strategies for students with special educational needs:
  career development for young women interested in pursuing non-traditional careers (Portland School District); CETA-qualified Indian youth (Warm Springs, Oregon); migrant youth (Mission, Texas and Yakima, Washington); out-of-school adults (Western Nevada Community College and Alaska); gifted and talented junior high school youth (Jefferson County, Colorado, and North Clackamas, Oregon).

  People on 17 Indian Reservations in 4 northwest States have been working with NWREL to develop supplemental classroom materials. Some 70,000 copies of storybooks, teacher manuals, and other materials have been purchased for classroom use. The storybooks are based on Indian legends and stories and are designed to enhance the self-image of Indian children as well as their reading ability.

- The Appalachia Education Laboratory (AEL) in Charleston, West Virginia, created home-based preschool TV, home visitor programs, and mobile preschool classrooms which serve 3- to 5-year old children and their families in rural West Virginia. The program also serves an audience of sixty-two thousand families and young children living in rural areas in Ohio, Tennessee, and Alabama. HOPE (Home Oriented Preschool Education) consists of four components: (1) 500 half-hour daily television lessons for sixty-two thousand families with preschool children, and 100 printed parent guides to help parents understand what the child is learning and to follow up with related activities at home; (2) weekly visits to twenty-one hundred families by local, trained paraprofessionals; (3) a weekly one-half day group experience for 80,000 children in mobile classrooms under the supervision of qualified teachers and aides; and (4) parent discussion groups, which served 3,000 families between 1974 and 1976.

- The Resource and Referral Service (RRS) at the National Center for Research in Vocational Education (NCRVE) at Ohio State University has become a central organization for linking researchers with practitioners. The RRS has developed comprehensive files on the work of over 400 research organizations to coordinate the use of research and development resources by State and local education agencies. It provides prepacked information, and through direct referrals, assists in matching the information needs of clients with appropriate R&D centers. Approximately 25-30 referrals are being processed each month.

- To provide step-by-step instructions on evaluation for principals, teachers, and school district staff, the Center for the Study of Evaluation (CSE) at UCLA prepared an 8-volume Program Evaluation

Kit which has been enthusiastically reviewed by school district personnel.

- 15,000 parents, teachers, and administrators are now receiving training to increase the participation of parents in instructional activities through a project at the Mid-Continent Regional Educational Laboratory (MCREL) in Kansas City, Missouri. Laboratory resources were used to develop the training materials and to prepare those who conducted the training of advisory committee members.

- The National Center for Higher Education Management Systems (NCHEMS) located in Boulder, Colorado, has developed a set of measures of the outcomes of higher education, as well as questionnaires and other materials needed to collect information on outcomes from college and university students and graduates. NCHEMS and the Educational Testing Service have conducted outcomes workshops across the Nation, and in cooperation with the College Board, the Student Outcomes Information Service has been established.

- The Learning Research and Development Center (LRDC) at the University of Pittsburgh has developed instructional mastery learning programs providing individualized direct instruction in mathematics, science, reading, and early learning skills. These have been disseminated nationally through Project Follow Through, and by Research for Better Schools.

  In conjunction with the Pittsburgh public schools and the Pittsburgh Urban League, LRDC conducted policy research. Further studies for the National Urban League to assess the national minority perceptions of minimum competency testing have also been done.

- The major product at the Research and Development Center for Teacher Education (RDCTE) at the University of Texas, "Classroom Organization and Effective Teaching," has over the past few years developed information on the characteristics of consistently effective classroom teachers at various levels, and of the way in which these characteristics interact with students' characteristics, classroom organization patterns, and group management techniques. The present emphasis of the project is in integrating its findings with those of other research institutions and in providing workshops, materials, and services to teachers, teacher educators, and administrators for more effective dissemination.

- Over the past four years, Research for Better Schools (RBS) in Philadelphia has developed and monitored the implementation of detailed management and reorganization plans in the desegregation of New Castle County, Delaware, Erie, Pennsylvania, and the General Braddock School District in Pennsylvania. Together, these three districts serve over one hundred thousand school children. RBS continues to provide technical assistance to the districts in building improved accountability and salary structures, planning curricula, parent involvement, and program monitoring and evaluation.

- The Southwest Educational Development Laboratory's Regional Exchange (SEDL/RX) in Austin, Texas helps six State departments of education to develop, expand, and strengthen State-wide and regional dissemination systems, and disseminate R&D outcomes and other resources that will contribute to school improvement. Specific activities include: State and regional workshops, conferences, and seminars; consultant services; attendance by SEA personnel at relevant conferences; knowledge syntheses; visits by staff to SEAs; information retrieval services; a regional program file; and a Resource Center.

MAJOR PROGRAMS

Dr. GOLDBERG. The budget request before you today is $84 million intended to provide support for three major program areas within NIE: Teaching and learning—to examine such key issues as student achievement in the basic skills of reading, writing, and mathematics, and to institute new studies for the preparation of teachers; educational policy and organization—to provide technical assistance and analyses for dealing with reduced resources and declining school enrollments; and dissemination and improvement of practice—to make the results of all of our research studies available to educators across the country.

Mr. Chairman, research, development, and dissemination of the National Institute of Education is of major importance as a source of good advice to local educators on effective, efficient educational strategies at a time of limited resources.

I would like to turn your attention now to Arturo Madrid, who will speak briefly.

Senator RUDMAN. You can move the microphone over. I think that will be helpful.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

Mr. MADRID. With your permission, Senator, I will just make a few brief remarks. You have already been provided with some background information on the fund. I would like to stress some of the things that are important about the fund that make it a unique organization and that address the role that Dr. Goldberg spoke about in his opening remarks.

We call the Fund for the Improvement of Postsecondary Education—FIPSE. It was created to improve postsecondary educational opportunities and to do that by providing assistance to educational institutions, agencies, and organizations that wanted to introduce reforms and innovations.

It's a very small program by Federal standards. Its initial appropriation was $10 million. It has grown over the past years to $13.5 million. It was never conceived of as a large-scale program, but as a seed program to make significant changes possible. The whole idea was that some risk capital or venture capital might make a significant difference if applied appropriately.

The key has been from the very beginning that the proposals should be initiated at the local level; that they address the problems at the local level; and that the issues and concerns be ones that might have some larger impact.

In fact, the proposals coming to us from the field have addressed themselves to larger concerns than the immediate concerns of the local areas. And thus, over the past few years, since its creation, the fund has established a remarkable record with respect to identifying issues of concern to local postsecondary institutions, issues that are not only local, but also regional and ultimately, national.

A recent evaluation done on the fund by an external organization has indicated that it has had significant impact on identifying and funding projects that have far-reaching impact on postsecondary education in general.

It is cost effective as a grantmaking organization principally because it seeks not to underwrite or sustain a project, but to provide the seed money that will make it possible for some change or innovation or improvement to get started.

It is expected that, in time, the project will be institutionalized by the proposing agency. In fact, over 70 percent of those agencies do institutionalize the project after the grant runs out. A very large number——

Senator RUDMAN. What percentage was that?

Mr. MADRID. Approximately 70 percent of the projects funded are institutionalized after the grant runs out.

Senator RUDMAN. Generally at the levels recommended, or nearly at the levels?

Mr. MADRID. Mostly greater. A few continue the same funding. Others, of course, are phased out. But a number, the majority of them, are at larger levels. The idea, once it catches hold, is examined.

The projects are also replicated elsewhere. Somebody hears about a certain project, one which addresses certain problems, and they want to know about it and we provide that information very readily and it makes it possible for that project to be useful someplace else.

About 70 percent of those projects have influenced other institutions.

MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM

I would like to say a few words, with Dr. Goldberg's permission, about a second agency I'm responsible for, the minority institutions science improvement program, one of the programs brought to the Department of Education, formerly a program in the National Science Foundation. MISIP is what we call it for short.

Senator RUDMAN. Do you have the exact title of that?

Mr. MADRID. Minority institutions science improvement program.

Senator RUDMAN. We are going to run out of acronyms pretty soon.

Mr. MADRID. My children refer to this conglomeration as fipsy, mipsy, and mopsy. [Laughter.]

That program is concerned with improving science education at minority population institutions, historically, the traditional black colleges and institutions. But the program has been expanded to include institutions that have high concentrations of Hispanics, as is the case in Puerto Rico and the Southwest, and of native American population in States out West.

The grants that have been made by MISIP over the past few years are essentially to improve science institutions, improve the quality of instruction, and ultimately, the larger purpose is to increase the numbers of minority students pursuing science careers, engineering careers, et cetera.

It has been shown to be a very important program. MISIP was initially appropriated at $5 million, and it continues at that same level. It has expanded its activities to include grants to institutions that provide services to minority institutions, and, it is increasing its work in the area of high school/college matriculation in order to increase the number of students entering these careers.

Thank you.

NATIONAL CENTER FOR EDUCATION STATISTICS

Dr. GOLDBERG. Mr. Chairman, I would like to introduce you now to Victor Wenk, the Deputy Administrator, National Center for Education Statistics.

Mr. WENK. I appreciate this opportunity to appear before you to present the budget request for the National Center for Education Statistics—NCES. Unfortunately, Marie Eldridge was taken ill and was unable to appear before you.

Senator RUDMAN. Please pull the mike a bit closer.

Mr. WENK. NCES was established by Congress in 1974 to provide objective, apolitical data in a relevant and timely fashion in the area of statistics on education.

The Center is responsible for the traditional Federal role of the original Department of Education established in 1867. The legislation at that time established the Department "for the purpose of collecting such statistics and facts as shall show the condition of education in the several States and territories. * * *"

The Center provides general-purpose statistical information as well as policy-relevant data to congressional, Federal, and State education decisionmakers. In addition, it provides support to the States to improve their own statistical and data-generating capacities for their own use in improving education in the States.

A quick review of the Center's recent contributions to raising the level of national debate on key issues through the provision of timely and relevant information shows a very dramatic turn-around in the Center's program and image.

The Center this past year provided opening comprehensive statistical testimonies in congressional hearings on both the American high school and the vocational education oversight hearings.

New ground was broken with the publication of "The Condition of Education for Hispanic Americans," a policy-relevant report.

We are considering developing similar reports on topics such as private education, and on other issues as they develop.

Last year, we established a series of policy forums, the first of which addressed language retention for families whose native language was other than English.

A second policy forum, "What Do We Know About Private Schools?" will be held in a few weeks at the beginning of April.

The longitudinal studies program is widely recognized as a national resource.

In the last 3 years, the Center has assisted the States in their statistical and data collection activities not only by awarding 76 competitive grants to 39 States, but also by continuing to fund two primary activities. One is a formal mechanism for States to assist one another through interstate consultation by personnel with particular areas of relevant technical expertise. And second, there are structured organizations through which States provide the Center with advice on the relevance to State agencies of the Center's current and proposed programs, as well as feedback concerning the benefits and burdens of those programs on individual State agencies.

Thank you, Senator. I would be glad to answer any questions you may have about the Center.

Dr. Goldberg. We are prepared now to answer questions regarding NIE, FIPSE, and NCES.

Senator Rudman. Fine; I think we can start out by saying that, as I have said in the hearings in this area, and other hearings that I have chaired in the past several weeks, that it's probably going to be very essential at some time after the middle of March that you all come back to us.

We probably won't have time for hearings in many instances, but certainly, for extensive work with our staff. I think one of the problems that we are faced with is that we are holding hearings based on data which probably is going to change and become relatively irrelevant within a rather short time period.

Dr. Goldberg. We would be glad to return at your convenience, Mr. Chairman.

NATIONAL INSTITUTE OF EDUCATION

Senator Rudman. I want to start out with NIE. I do appreciate the directness and preciseness of your testimony, time being a problem.

Dr. Goldberg. Thank you.

FEDERAL VERSUS STATE ROLE

Senator Rudman. The history of education in this country generally has shown a very strong Federal role in the areas that you're involved with, the area of research gathering, information gathering, and development. Knowing what we seem to know about the coming proposals in the budget, I guess my primary question is: Do you anticipate that some of these activities that can be carried on on a regional or a State basis, may well see a shifting from the Federal Government to the States and regions, utilizing some of the block-grant moneys that we anticipate will be awarded to the States. This would increase the amount of money available at this level?

Dr. Goldberg. Senator, if I might, I would like to not only respond to the question on the basis of my own personal understanding of the issues right now, but on the basis of past experiences I've had as a school administrator.

It's my view that Federal support is essential for the kinds of services that are provided by research and development because it eliminates the national overlap that would occur as a result of 50 State education agencies—SEA's—and almost 16,000 school districts commissioning a variety of individual research efforts.

In addition to that, it's very important to recognize that many of the problems people face in local schools are in fact national problems. They are generally not unique to a local district. Problems of illiteracy, declining enrollments, and financing of schools are, in fact, national problems.

It is my view that the inefficiencies that could result from a myriad of efforts—in terms of both the amount of money to be spent and the quality of the work performed—would be most unfortunate.

Research on the Federal level not only eliminates overlap, it has national utility. While the SEA's and LEA's may have more money in block grants, the overall resources have been declining for some time in education.

It has been our experience that they are increasingly dependent on NIE for guidance on research and development. I must say that most of our work is done in concert with those very people. We sit together at the tables with LEA representatives and SEA representatives to determine the course of our agenda and the ways which our work ought to be performed. I see every reason to believe that that will continue.

IMPACT OF BUDGET REDUCTIONS

Senator RUDMAN. Taking your answer, then, in light of what we anticipate might be on the near horizon, my understanding is that we've got a proposal for a withdrawal of the $5 million supplemental proposed by the Carter administration and a reduction, if you will, of funding in NIE of up to 25 percent in fiscal year 1982 and succeeding years.

In light of that, not knowing precisely at this time, but taking that hypothetically, give us for our record a precise statement on what you think the direct impact of that might be on your programs and if, in fact, there might be some constructive ways that that could be remedied within the block-grant program.

Dr. GOLDBERG. Budget reductions are a painful process for most groups, as you well know, Senator. But we're presently reviewing the variety of programs that we support in terms of the proposed reductions, after which we will inform you of the impact of those reductions.

We're convinced that the kinds of services that we provide will be maintained at least at a core level, even at a reduced level of expenditures. We know the major educational problems that are confronting the Nation. I do believe that with consolidation, it's likely that decisionmakers on the State and local levels will be raising new kinds of questions.

It's important to us to not only retain the capacity we have now, but retain enough flexibility to be able to respond to those issues as they emerge.

It's with that in mind that we're reviewing the budget.

LABS AND CENTERS

Senator RUDMAN. You mentioned plans to initiate R. & D. services to address the needs of some underserviced needs in the country, Southeast, Northeast, Midwest regions of the country.

You have 17 of these throughout the country. These are under what appear to be budgetary restrictions coming soon. Can we expect any restructuring of those in the near future and if so, where?

Dr. GOLDBERG. At the moment, Senator, we have no plans for restructuring the existing set of laboratories and centers. We do have work underway already in two of those unserviced regions of the country, the Northeast and the Southeast.

We have worked very closely with the chiefs of State education agencies in those two parts of the country. We're presently working with them to develop regional service activities.

We certainly will have to look at all of those activities to—in light of budget reductions, to estimate what kind of support we can provide. However, it is our continued intention to see to it that all regions of the country are provided the kinds of services that those regions require and are presently receiving through the regional outlets.

RURAL EDUCATION

Senator RUDMAN. Do you feel that your research and dissemination programs are in fact reaching across a broad spectrum of this country geographically? How about rural America?

Dr. GOLDBERG. We believe that there has not been enough done in rural America. But we've made some important contributions in that area in the last few years. One of the regional laboratories has made rural education a focus of its activities in States like North and South Dakota and so on.

A few years ago, Mr. Chairman, we issued a publication at NIE on rural education. It turned out to be the first major publication on the problems of rural America in education in over 30 years. That year, the book was acclaimed by the National School Boards Association as one of the 10 or 11 top education books of the year.

It's now being used in colleges and universities across the country. We receive literally thousands of requests for it. It has provided the basis for a growing research agenda in rural education at NIE.

EDUCATIONAL EQUITY

Senator RUDMAN. Going to your original mandate back in 1972, your mandate called for a reduction of educational inequality in America, which is one of the things your agency set up to do. Recognizing that that inequality to a large extent in my view is based on the particular geographic and financial atmosphere of communities, and as they vary not only within the country but within States, what have you done? Have you been successful? Have you made any progress? What have you done to fullfill your original mandate?

Dr. GOLDBERG. As a matter of fact, Senator, educational equity has been and continues to be at the heart of our responsibilities and our efforts. We state our mission of the improvement of educational practice and the enhancement of educational equity to all the people with whom we come into contact and to all the people who do work on our behalf.

All of the Institute's work is focused on concerns of accomplishing educational equity.

There are specific products that have emerged from our activities that have proved to be extremely useful. For example, the Center at Johns Hopkins University produced a classroom instructional program on team learning, particularly for classrooms in desegregated schools. It is a classroom instructional product which encourages the kind of interactions among students around classroom issues that apparently helps to break down the barriers between children of different social and economic classes.

Although it was developed for desegregated classrooms, it turns out to be equally interesting and important for people in other kinds of schools as well. That's an example.

In fact, Senator, we can provide for the record other activities and materials that address educational equity.

Senator RUDMAN. I think it would be very good to the extent you can do that.

One of the problems I have with most of these hearings is to a large extent, they tend to be sterile in terms of not giving those of us who have to make policy decisions and allocate funds an understanding of how these programs work out.

We're not talking about dollars and cents. We're talking about people and programs and helping people to improve their educational opportunities. We tend to talk almost always in terms of dollars.

To the extent that you could give our staff that information, I personally would like to look at it. I have some questions later for Mr. Madrid on some specifics of the kinds of things you're doing, I would appreciate that.

Dr. GOLDBERG. I would be happy to do that.

[The information follows:]

NIE AND EDUCATIONAL EQUITY

The mission of the National Institute of Education is to promote educational equity and to improve the quality of educational practice. To accomplish these goals, NIE supports research and dissemination activities that enhance the opportunity for all individuals to benefit from the educational process.

NIE has been actively involved in the promotion of educational equity through a variety of research and dissemination activities. These activities are designed to analyze significant equity issues and to provide information, services, and technical assistance concerning these issues to Federal, State, and local agencies, programs, and personnel; educational practitioners, administrators, researchers, and associations; and concerned community organizations and parents.

NIE's research and dissemination activities address a variety of issues identified as significant equity related concerns of people traditionally underserved by and/or underrepresented in education, e.g., racial and ethnic minorities, females, economically disadvantaged, geographically isolated, limited or non-English speaking populations. These activities differ greatly in their goals and in the services and information they provide, ranging from the provision of technical assistance to school districts in the process of desegregating to conducting research on literacy, effective schools, and school finance, to Congressionally mandated evaluations of compensatory education and vocational education programs. These activities have been responsive to the needs of Federal, State, and local policymakers and to citizens concerned with promoting educational equity.

The planning process that has been developed and implemented by NIE places major emphasis on the equity priority of the Institute. All NIE research area plans are reviewed for equity and are expected to have direct or indirect equity implications. The review is an integral part of the budgetary decision making process concerning funding of future NIE work. RFP and grant proposals, as well as all Lab and Center proposals, are also expected to reflect the priority NIE has placed on equity. In conjunction with this, NIE created the position of Chief of Equity Analysis and Review, located in the Office of Planning and Program Development. This has ensured that equity has become an integral part of the forward planning process, in addition to providing an expert on equity from whom NIE staff can obtain assistance.

PROJECTS ADDRESSING EDUCATIONAL EQUITY

The following discussion highlights research, development, and dissemination activities in several equity related areas:

- Educational needs of special populations
- Desegregation studies
- School finance and related policy issues

Educational Needs of Special Populations

Historically, certain populations within our society have been underserved by the educational system and have therefore often not received the benefits of quality education. The Institute supports efforts to enhance educational equity for special groups within the school population. These include:

- low-income students in both urban and rural areas
- students with limited ability to speak English
- Indian students
- females, minorities, and other special populations

Low-income Students. The low achievement levels of low-income students is well documented, as are other educational problems experienced by these students and the schools serving them. In response to these problems , NIE has focused particular attention on the needs of students from low-income homes. For example, the NIE *Compensatory Education Study* provided a comprehensive examination of compensatory education programs, including Title I of the Elementary and Secondary Education Act and programs financed by states. The NIE research indicated that Title I has been highly successful in providing educational services to those students whom the schools traditionally have served least well. Title I directs substantial Federal aid to areas with the highest proportion of low-income children. Funds are used to provide special additional services to low-achieving children in the poorest schools. Under these conditions, the program enhances the educational achievement of participating students. For example, first grade students participating in Title I programs made percentile gains of 12 to 15 points in reading and mathematics between fall and spring testing; third grade students made percentile gains of between 7 and 15 points during the same time period. Both of these gains were higher than would be expected without the special instruction provided by the program.

The NIE study also provided information on the appropriate design of Federal education programs. This information, along with other recommendations of the study, was used to revise and reorganize the Title I statute so as to enhance the program's effectiveness.

A three year evaluation of Push/EXCEL (still in progress) examines educational programs targeted toward high risk inner city youth and is designed to determine whether the programs result in changes in student achievement, behavior, and motiviation. As in the case of the Compensatory Education Study, the evaluation should yield valuable information concerning both the effectiveness of various methods of teaching low-income youth and how better to design educational programs to meet their needs.

Recognizing the influence of the school and classroom environment on the education of low-income students, NIE has also sponsored research examining schools identified as "exceptional" in terms of successfully educating low-income and minority students. Identification and understanding of characteristics of successful schools can lead to modifications in schools previously unsuccessful in educating these special populations. The School Improvement program in the New York City school system in based on findings from NIE's work in this area.

Examples of other work targeted toward low-income youth include:

- The Big-City School Superintendents' Network on Urban Education
- Rural Education Policy Analyses
- Home Oriented Preschool Education (HOPE)

Limited English Speaking Students. One of the most difficult policy issues confronting educators at all levels in the past decade has been the question of how best to provide services to children whose native language is not English. Fundamental questions such as the location and numbers of such children, their native language, and the most effective methods for teaching them both educational content and the English language have been vigorously discussed, and in many cases remain unanswered. NIE has contributed to resolving some of these issues through a variety of activities. For example:

- The Children's English and Services Study identified and located such children and the languages they speak and is now assessing the kinds of services provided to them in schools.
- A National Center for Research on Bilingual Education was established in California which is analyzing both policy and classroom issues in bilingual education.
- The National Policy for Linguistic Minority Students examined the relationship between Federal bilingual requirements and those of selected states. This study helped the State of Illinois develop a new bilingual policy. The other states involved in the study, i.e., Texas, New York, Massachusetts, California, and Florida, are also now using the findings.
- Assessment of Testing Instruments for Limited English-Speaking Children provides school administrators and teachers with information on the adequacy of available tests for elementary school children from various language backgrounds including Spanish, Portuguese, Chinese and Navajo. This publication responds to a fundamental concern of educators since it is almost impossible to determine the competence of a non-English speaking child in specific curriculum areas unless there is a reliable test available in the child's native language.
- The ERIC Clearinghouse on Languages and Linguistics also makes available information on the teaching of language, bilingualism, and the teaching of English for speakers of other languages.

A fundamental research effort initiated at NIE in response to the directives in the 1976 Education Amendments is also beginning to provide educators with information on learning processes in children with limited ability to speak English. For example, this research indicates that the simultaneous development of two languages does not confuse children or interfere with their intellectual development.

Another project confirms that oral skill in English is a pre-requisite for learning to read and write English.

Finally, research on measuring the language proficiency of children reveals that most tests of English as a second language emphasize the conventions of grammer and punctuation. These skills are crucial to a child's success in school and work. Nevertheless, they do not measure the child's ability to understand the teacher, or written material in texts, nor do they help teachers understand the child's ability to get along with other students or generally progress in the school setting.

Native American Students. NIE has also sponsored a limited amount of work on the educational needs of American Indian children. For example, the Institute and the Bureau of Indian Affairs jointly funded a study to develop data trends relating to equitable funding of BIA schools. Using the study's recommendations, NIE and BIA staff produced an implementation plan for Public Law 95-561 which took effect in January 1979.

In addition, NIE funding to the Northwest Regional Educational Laboratory allowed seventeen Indian reservations in four Northwest states to work with the Lab to develop supplemental classroom materials. Some 70,000 copies of storybooks, teachers' manuals, and other materials have been purchased for use in the classroom. These materials are based on Indian legends and stories and are designed not only to improve the reading ability of Indian children, but also to enhance their self-image.

Females, Minorities and other Special Populations. In addition to groups which have been traditionally considered disadvantaged due to income, race, color, or language, other school groups may have particular problems due to age or sex. NIE work concerning these groups has focused upon:

- youth needs, particularly as they relate to employment
- non-traditional students, including the adult learner
- educational problems of women and girls

Youth Needs. The major subject of interest in NIE's research on youth learning has been the skills required for participation in the labor market. This work has led to the identification of work-related literacy skills—those reading skills most relevant to the world of work—and to the design of job specific training procedures which improve literacy skills and employability at the same time. NIE's findings indicate that the most important considerations involved in improving youth employability include:

- basic skills in literacy, mathematics, and communication
- knowledge about the world of work and realistic career options
- mastery of the skills required to perform a particular occupation or cluster of occupations
- willingness to apply these skills in order to meet employer expectations

NIE's work also indicates that successful programs use individualized instruction, establish clear standards for performance, systematically measure progress against these standards, and provide documentation of the student's progress. Concepts such as these undergirded the development with NIE funds of the successful Career Intern Program developed in Philadelphia by the Opportunities Industrialization Corporation for training disadvantaged teenage school dropouts.

With regard to youth and work, one study has examined the effect of part-time employment on student achievement. The study concluded that working more than 5 or 6 hours per week seriously interferes with school work.

In conjunction with this work and the work of adult learning, NIE is also conducting a Congressionally mandated study of vocational education programs. One of the major goals of the Federal vocational education legislation is to promote educational equity by providing job related training to population groups with special needs. The study is currently examining the effectiveness of legislative provisions intended to carry out this equity goal; the linkage between Civil Rights vocational education guidelines and existing programs and activities; and the impact of current funding formulas on equity in vocational education. The final report of the study will be submitted in September, 1981.

Adult Learning. Research on learning has concentrated on how children develop and learn. For the most part, this knowledge has been applied to adults without regard to the particular characteristics of adults as learners and the special features of the work and community settings in which adult learning takes place. NIE's research on adult learning has focused on how adults learn to read and how they use reading in their employment. It has demonstrated that based upon adult learning characteristics, the adult basic education materials now in use—adapted primarily from elementary school materials—are largely inappropriate for older students.

One serious problem of the non-traditional student is access to educational services. Cable television and satellite networks, developed in part with NIE funds, have helped bring education to several isolated areas. For example, the Appalachian Community Services Network uses satellite communication to provide economical in-service training for educators, people in business, and other adult learners in rural and isolated communities. Fire fighters and rescue workers in Mississippi and South Carolina received disaster training via satellite and credited their course with helping avert catastrophe in an accident in which a train filled with toxic chemicals derailed. In 1980, more than 200,000 people in Appalachia and another 150,000 outside the region participated in an average of 25 hours of educational programming via satellite. Many of these adults received college credit from 57 participating colleges and universities.

Finally, NIE's program to Increase the Participation of Minorities and Women in Educational Research and Development provides advanced study in educational research for adults and enhances the contributions of minority and female researchers to the work of the Institute. The program, a result of NCER policy set in 1975, has involved more than 600 scholars in 65 projects designed to increase the representation of women and minorities in research and development leadership roles, and to heighten awareness of their research perspectives, concerns and contributions.

Females. Many people involved with education have long expressed concern that certain areas of study, particularly mathematics and science, do not attract girls and women in proportion to their representation in the schools and that many educational materials contain stereotypical information about girls and women and appropriate occupations for them. In particular, there has been a concern that stereotyping, combined with clear discouragement to girls planning to study certain fields, reduces the available sources of trained talent in our society.

NIE's work in this area has concentrated on two aspects of the problem: (1) examining the participation of women in mathematics and science education; and (2) helping reduce career stereotyping based on gender. For example:

- Several projects have examined women in science and mathematics courses. Among the more significant findings are: (1) women avoid these courses not because of social attitudes but because they see them as irrelevant to their future plans; (2) teachers do react differently to boys than to girls, but these reactions are heavily modified by the motivation and achievement of individual students.

- Project Freestyle which earned an Emmy as well as an award for outstanding achievement in children's television for Action for Children's Television developed thirteen 30-minute stories so that young viewers could see many options for future careers. An evaluation of Freestyle demonstrated that when viewing was supplemented with classroom instruction, it changed a number of attitudes among children regarding appropriate careers for both boys and girls.

- Bias-Free Products have been the focus of a number of NIE activities. For example, in Michigan one project developed a bias review procedure and a file describing 150 bias free projects. The State of Michigan arranged training in the use of the procedures for interested Michigan educators and required mandatory LEA review of new materials. Both Massachusetts and Illinois, as well as Flordia and Rhode Island, have used NIE funds to prepare materials or fund workshops designed to reduce sex-bias in our educational system.

Desegregation Studies

Since the 1954 Supreme Court decision in the Brown case, the integration of schools has been viewed as an essential element in the provision of equal educational opportunity for all students. Nevertheless, district, school, and classroom management issues continue to be difficult problems, as does the question of providing quality education in integrated classrooms. NIE's work in this area has been of fundamental assistance to district and school managers as well as the classroom teachers.

The National Project and Task Force on Desegregation Strategies has compiled a profile on state desegregation activities, has published reports on state concerns, and serves as a clearinghouse on desegregation matters. Two regular publications, Progress and Legal Analysis summarize judicial and legislative activities in this area and provide expert analyses of legal development for non-lawyers.

The area of school desegregation and the law has also been of major interest to NIE and to people involved with school integration issues. The most recent publication in this area has been A Citizen's Guide to School Desegregation Law which provides summaries of recent major court decisions for teachers, administrators, students and citizens.

The National Panel on School Desegregation Research, with an advisory board of judges, lawyers, researchers, policymakers, school administrators, and teachers, synthesizes knowledge about the effects of school desegregation. One result of the panel's work is the publication, Law and Contemporary Problems. The panel is also developing handbooks for educators and policymakers on what we know and what we need to know about school desegregation.

In addition to these concerns, NIE has also focused on instructional techniques and curricula appropriate for desegregating and desegregated schools. The Student Team Learning curriculum is a set of teaching techniques designed to help students in desegregated classrooms work together in class. This approach significantly increases achievement in the basic skills as well as building friendly relationships both inside and outside the classroom.

School Finance and Related Policy Issues

Since the historic 1971 Serrano v. Priest decision in California, more than half the States have attempted to create more equitable school financing arrangements. During this same period, declining enrollments and tax expenditure limitations have forced States and localities to face tough resource allocation decisions. NIE's school finance research has developed knowledge and techniques to help government officials and educators address these problems effectively. NIE has provided direct assistance to State legislatures attempting to fashion more equitable State school finance systems. Working cooperatively with ECS and NCSL, the Institute has provided 29 States with technical assistance and policy guidance on the many issues of public finance that surround this issue. This assistance has resulted in 11 States revising their basic formulas in support of education.

Since the passage of Proposition 13 in California, NIE has sponsored a series of inquiries on the effects of tax and expenditure limitations that include studies of State and local finance, school district governance, children's services and community college finance. Analysis of public opinion, voting behavior, and major issues involved in the public debate have been conducted in four States (Colorado, Idaho, Michigan, and Oregon) and a similar study is now underway in Massachusetts, examining how the recent passage of Proposition 2 and 1/2 is likely to effect the financing and control of education in Massachusetts.

In 1980, NIE created the Institute for Research on Finance and Governance at Stanford University to serve as a national center undertaking and disseminating research on educational finance and governance issues. The Institute, known as IFG, has conducted conferences and workshops and has distributed publications, including a quarterly newsletter, to a wide audience of educational policymakers and practitioners who are dealing with equity and efficiency concerns in elementary, secondary, and postsecondary education. Examples of these concerns include issues such as tax and expenditure limitations, the courts in educational decision-making, and public support for private education.

Through a series of comparative studies, NIE has also examined the practices of other advanced societies, including Australia, in providing public support for independent schools. Currently, the Institute is sponsoring an examination of such support in British Columbia where, for the first time, this Canadian province is providing direct institutional support for private schools.

Issues of equity in the financing of postsecondary education and its students have also been examined by NIE. A number of activities have been completed or are under way in this area:

- Economics of Higher Education is a series of intramural activities which have produced an annual higher education price index, reports on the tax capacity of the States, and periodic reports on States' financing of higher education.
- Student Access to Postsecondary Education is an increasingly important issue in view of inflation, changing labor market conditions, changes in student assistance, declining numbers of traditional students, and increasing corporate investment in worker education. NIE has examined the effects of expenditure limitations on community college policies, and is now studying how pricing, tuition, and student aid policies affect access and choice for community college students in a number of states.
- The National Center for Higher Education Management Systems is supported by NIE in order to examine issues of higher education management, costs, and effects on students and graduates.
- Contributions of Traditionally Black Colleges have been examined by a study group of researchers and black college administrators and faculty members. This has resulted in a research agenda which will examine the role of these institutions, how Federal and State policies affect them, and how they can be strengthened.

SCHOOL FINANCE

Dr. GOLDBERG. You mentioned the money issue. I would like to point out that much of our work in school finance has been addressing the question of equity. We'll provide you with a set of materials for the record regarding the ways in which our school finance studies have been able to help, for example, State legislatures, in considering problems of inequity in financing.

Let me make a statement about the urban education problems, which are considerable. One of the activities we've been pursuing is regular meetings with the superintendents of the 19 or 20 largest school systems of this country on a regular basis.

I should point out that those superintendents represent school districts which serve 10 percent of the total school population in this country. We use those meetings as a way of heightening our own understanding of the problems they face and of bringing to them research information to help address those problems.

The superintendents find these meetings to be very useful to them and, as a matter of fact, the equity concern which you mentioned a few minutes ago is being addressed quite directly at those meetings.

Those are examples.

SCHOOL VIOLENCE

Senator RUDMAN. Have you had any projects in any of your centers around the country dealing with a problem which really should not have to be dealt with in an educational framework, and which I think probably in many ways is overwhelming some educational systems in the urban areas, the problem of violence and insecurity of both teachers and students within the schools. Have you done any work in that area?

Dr. GOLDBERG. We have. One of the most important pieces of work we did in recent years was in response to a congressional request such as yours.

A congressional committee asked us to look at the issue of violence and vandalism in American schools. We conducted the study a few years ago. This is a summary of it, which I'll provide you. This is a national survey with some recommendations regarding violence in American schools.

Senator RUDMAN. Have any of the school districts around the country implemented any of those recommendations?

Dr. GOLDBERG. Some of the findings from that study have been not only implemented by these school districts, but they have provided insights that were important to boards across the country. Let me point out one or two of them.

One of the findings of the safe school study was that the greatest degree of violence and vandalism turned out to be in America's junior high schools.

While that would not appear to be a surprise, for example, to somebody like me who spent a fair number of years as a junior high school vice principal, it turned out to be a surprise to some people who assumed that the violence was greatest at the high school level.

The junior high school is an area of turmoil today both in terms of achievement and in terms of student behavior and attitude. That finding alone helped to change the course of the way school boards looked at approaching this problem.

We are paying much more attention to the young adolescent and the young adolescent's problems.

Senator RUDMAN. Have you widely circulated that full report to school districts throughout the country?

Dr. GOLDBERG. We have sent it to every State in the Union. The school districts received copies of it.

I might point out that some school districts have not only implemented it, but in the Chicago schools, they are actually expending considerable money in using the findings of this report to attack the problems of violence and vandalism in their schools.

NCER ANNUAL REPORTS

Senator RUDMAN. Moving on to the National Council on Educational Research, I believe they made a report to the Congress in 1977, although I expect they are supposed to give us an annual report. I want to ask you whether or not my facts are right and if there is some explanation for that.

Dr. GOLDBERG. I know there is a report that has just been issued, Senator, and I will provide that for you. I cannot tell you the exact reason for that, but I will provide it for you.

Senator RUDMAN. I would like you to.

[The information follows:]

NCER ANNUAL REPORTS

On March 2, 1981, the council issued a report on fiscal years 1978 and 1979. Appointments to the council were delayed during this period, leading to difficulties in assigning members to direct the preparation of the report. It is the council's view that to be valuable the report must contain substantial information and informed views about NIE and the subjects of its work, and it has taken time to gather and synthesize such information. In 1979 the council reestablished a regular process of program reviews which provided the basis for inclusion of a chapter on literacy in the fiscal years 1978-79 report and one on teaching in the fiscal year 1980 report, which is to be completed by March 31, 1981. This review process should keep the council's report work on schedule.

NIE ROLE IN TESTING

Dr. GOLDBERG. Dr. Harold Howe is the chairman of the council, and he could not be here today. He asked me to offer to you his best wishes and to indicate his support for our work.

Senator RUDMAN. Tell him we would like his reports.

I want to go on to your role in testing, still on the NIE. I would like you to tell us your view about the legitimate role of the Federal Government and your department in testing throughout the country.

Dr. GOLDBERG. Essentially, our major responsibility in testing is to assist local and State education agencies to perform their responsibilities and activities in the use of tests.

We have no responsibility for the development of tests or national tests or anything of the sort. We do have a responsibility to provide assistance to local and State education agencies in the utilization of tests, interpretations of uses, and the use of tests for instructional purposes.

One of the ways that we have been addressing this problem is to conduct activities that have an impact on school staff and parents. We will provide that to you.

[The information follows:]

IMPROVEMENT OF EDUCATIONAL TESTING

During the last year, NIE has conducted several activities designed to improve educational testing at the State and local levels. The activities have included conferences, workshops, and the development of materials. Some projects were designed for teachers, others involved parents, legislators, school board members, and school administrators. Our activities have included:

1. *Minimum competency testing.*—The National Institute of Education is conducting a national study to provide information to State and local policymakers on issues related to minimum competency testing, one of the most controversial topics in education today. The format for the study is a hearing at which two teams will present evidence, both pro and con, on minimum competency testing. The hearing will be chaired by Barbara Jordan, professor at the LBJ School of Public Affairs, and will be held in Washington in July 1981. Excerpts from the hearing will be broadcast on public television in fall 1981. Additional tapes and print materials will be distributed around the county.

2. *Workshops on testing.*—In 1980 NIE conducted five workshops on educational testing for selected groups of school board members, State legislators, lawyers, journalists, and parents. Materials for the workshops included "A Layperson's Guide To Testing" and "A Parent's Guide To Testing." The workshops discussed current problems in testing including test score decline, truth-in-testing laws, test bias, IQ testing, minimum competency testing, and teacher evaluation. NIE is distributing the guides plus a trainer's manual to other groups to encourage others to conduct similar workshops.

3. *Department of Defense dependent schools project.*—NIE and DODDS are conducting a joint project to promote the classroom uses of test information. Researchers at Michigan State University are producing kits for teachers that illustrate how test results

can be used to guide instruction. The kits have been tried out in the overseas schools and are now being revised in preparation for commercial publishing. This project illustrates how NIE's research can contribute directly to school-based problems.

4. *Your child and testing.*—At the request of the Consumer Information Center, NIE prepared a 40-page booklet on testing for parents, called "Your Child and Testing." This booklet answers questions such as: What are the different types of tests used in school? How are tests results used? What do the scores mean? The booklet also outlines parents' legal rights regarding school records and suggests questions that parents should ask the schools. Copies of the booklet are available through the Consumer Information Center, Pueblo, Colo. The June 1981 issue of "Family Circle" will feature the booklet in an article on free Government publications.

5. *Teacher workshops.*—Through a grant awarded to the American Federation of Teachers, NIE supported three workshops for teachers on how to interpret and use standardized achievement tests. One product from this grant was "Plain Talk About Standardized Tests," a book which is being distributed by AFT.

IMPACT OF HANDHELD CALCULATORS

Senator RUDMAN. Let me move on from that very briefly to the area of math skills which much has been said and written about over the past number of years.

I'm wondering if you have done any specific research in the area of the use by very young students, right down to the earliest elementary grades, and I believe I have even seen some preschoolers using calculators to do their arithmetic.

Have you done any studies on that? This is certainly a widely used tool in the schools certainly in my State. I am wondering when there is a breakdown of batteries in the country, if the country will grind to a halt.

Dr. GOLDBERG. We have a study which is looking at that very question. We are looking at the issue not of the use of hand-held calculators in the classrooms only, but the way in which teachers and schools in general can take better advantage of those calculators, and we want to go beyond that.

This week's Newsweek has a full article on the use of microcomputers in American schools. It turns out that there are 50,000 microcomputers now available throughout the country. The costs of those microcomputers are going down. The likelihood is that many schools will be able to install them in their classrooms.

We have already begun work in this area and should be able to produce information shortly on how those kinds of technologies can be more effectively used.

I might say as we move toward consolidation and locals and States have more opportunity to make basic decisions about allocations, information such as how to use technology for efficiency's sake and for instructional improvement's sake are going to be more important.

Senator RUDMAN. I think before leaving that, I think one of the things that you ought to try to find out, if there is any way to do it, is whether or not by allowing these youngsters, particularly in grades preschool through six to start doing all of their basic multiplication/division, and so on by using calculators, whether or not they will ever—whether or not the widespread use of these in classrooms may not create a whole generation of people very proficient at pushing keys, but who don't understand the logic.

I know in New Hampshire there is a small school where the teacher won't allow the use of calculators for anyone until they get to the seventh grade. I think this is very important. This could be one of those sleepers and you get a whole generation of youngsters who don't know how to multiply or divide.

I think that would be a good basic project because I think it can have a lot of impact on education. Microcomputers are certainly starting to be used widely in my home State because it is a center of computer research and manufacture.

Many of the companies there have made those computers available at no cost to the schools. Of course, we are talking about a completely different thing in that area. I have seen the Newsweek article. I have seen them allow science institutes, for example, to do things they couldn't do. But they hopefully have already acquired those math skills which is really a central part of my question.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

I would like to move briefly to the Fund for the Improvement of Postsecondary Education. I have a few comments and questions for you, Mr. Madrid, if I could.

I am very impressed with your 70-percent figure. Compared to many other seed money Federal programs that I am familiar with, I am impressed by that. I would like to ask you several questions on that.

First, give us a better idea—probably me more than anyone else. The staff may have some ideas. I am very new to this committee. I would like you to give me an idea of some of the projects that you have been involved in, and particularly, those that have had an impact, a great success, so I might have some understanding of what you do.

All I know now is how much money you spent and what percentage is successful. You might give me some specificity as to what you do.

Mr. MADRID. I have only been in the fund since July 1, so I am rather new, too. But I have spent a great deal of time studying what the fund does. Let me just give you a few examples that are particularly interesting, projects that I personally have become interested in, projects that I think give a good sense of what the fund is all about.

They touch on various areas of the postsecondary enterprise. Let me start with one that's been particularly interesting and endearing to me for what you will appreciate are probably chauvinistic reasons. There is a project at the University of New Mexico Medical School, where I took my bachelor of arts degree that is concerned with providing doctors for rural areas. This is, as you know, a significant problem in many areas of this country. We have collaborated with the Kellogg Foundation on a project that is changing the curriculum, encouraging the staff of the medical school to get involved in this curricular change, and finding new ways of attracting and retaining people who want to practice medicine in rural areas.

I visited the project this past fall. I met with many of the young people. They are highly committed to learning the whole medical process, not just the theory. Summers they do internships in clinics around rural areas of New Mexico. They are expected to take some knowledge and some skill to the community as well as getting some-thing from the community.

One young man I spoke with spent last summer in his native home area of southern New Mexico, in the mountains in a very small town, where one doctor serves an area of 100 square miles. What he did over the summer, in addition to helping his doctor-mentor, was to give physical examinations to high school athletes. He explained to them what the examination was for, what the emphases in a good health program were, and how they should take care of themselves. No one had ever taken the time to explain these things to them before—the physical had always been a pro forma exam.

Another student, a young woman, spent time in an area with a mixed cultural population, working with retarded children and their parents. She attempted to help them understand what services were available, what kinds of concerns they should have, and how they should approach the problem.

A project that will be of interest to you has recently been funded at the University of Montana Law School. The dean of the law school is concerned with bringing the best kind of legal education to the population of Montana, by integrating the theory with practical knowledge and skills.

They will be spending this next year studying what the legal profession is all about in Montana, what the demands are on it, and what the best kind of instruction is. Ultimately, I think that will improve legal education not only in Montana but in similar States.

Senator RUDMAN. I assume that the procedure to procure a grant from your fund is the normal procedure in seeking Federal funds, with the submission of an application under some criteria that has been established giving possibly some broad outlines of areas in which you are willing to invest funds? Is that the way it goes?

Mr. MADRID. Yes; it's an extraordinarily simple process. Although our comprehensive program describes six broad priority areas, applicants are free to define their problems and solutions as they see fit.

Senator RUDMAN. You may not have a percentage, but in terms of your own instincts, what percentage or what amount of your total funding goes to schools that are relatively well known, relatively sophisticated, and generally expert in the game of fundmanship and grantsmanship versus those institutions which tend to be maybe a bit more naive about those things?

Mr. MADRID. A slightly educated guess, it is less than 25 percent.

Senator RUDMAN. Go to the well-established and well-known institutions.

Mr. MADRID. That's right.

Senator RUDMAN. That's good to hear. I think—all educational institutions need help, but I think the well-endowed institutions can carry on more of their own projects than some of the smaller, emerging institutions.

I guess the last question I want to ask you is probably a philosophical one.

If, in fact, we are going to cut across-the-board funds for education generally and we are having a number of hearings on the entire budget, don't you think that we are going to have to do some cutting in your fund, also?

Mr. MADRID. Well, I will speak as somebody who has recently come to the Federal Government. I continue to have the same kind of concerns that people outside have about the Federal budget and programs—what is it that has to be done here that can't be done at home.

I must confess that I find in general that there are activities that take place in Washington run by the Federal Government that are absolutely critical and need to be continued.

With all due respect, I think what we have in this particular case is something that is what you might call in the commercial world "brand recognition" and a very extraordinary track record.

If the fund were cut as the rest of the educational enterprise is being cut, we would lose what the projects are together—a national pool of information, of talent, expertise, experience, that can significantly help the educational enterprise in adjusting to these very difficult times that we face.

Senator RUDMAN. Thank you very much.

Mr. Wenk, I have just a few questions for you.

SCHOOL VIOLENCE

Going back to an earlier question to Dr. Goldberg, are you involved at this time in a fairly expensive statistical study of violence and crime in the schools around the country?

Mr. WENK. We are not currently. That study has been completed, as Dr. Goldberg indicated, I believe.

We are considering and trying to find a mechanism for getting a handle on some aspects of that problem through our continuing longitudinal studies currently in the field.

But the effort you asked about was completed some years ago.

Senator RUDMAN. That is the study that has been completed and there is nothing new in the field at this time?

Mr. WENK. Not from the Center.

Senator RUDMAN. Is that a study which is now currently available?

Dr. GOLDBERG. Yes.

Senator RUDMAN. I would like a copy of that for myself.

Mr. WENK. If I may add to that, there is a related subject in our minds which may interest you, and that is the question of discipline in the schools.

Senator RUDMAN. Well, fine. That is, I think, very much related.

Mr. WENK. Then I can comment on that. Our high school and beyond study, a longitudinal study of children who were sophomores and seniors in high school this past spring, has, in addition to the study mentioned previously, an analysis of the data concerning discipline and disciplinary attitudes across the country, involving not only adminstrators, but teachers and students.

BUDGET INCREASE

Senator RUDMAN. I would like to have that, also.

Your budget proposes a fairly substantial increase. I want to ask you whether or not there are some statistical responsibilities and programs that have been transferred to you that you presently have not had responsibility for discharging?

Is that one of the reasons for this substantial increase?

Mr. WENK. No; that is not a complete explanation for the increase.

Senator RUDMAN. Could you explain it to me?

Mr. WENK. Yes; I would be glad to.

We are currently operating under a continuing resolution which has held the Center's expenditures this year to that which was appropriated in the prior year.

That is the nature of the continuing resolution. The actual request for this year, as opposed to fiscal year 1982, which you are currently discussing, was slightly under $12 million.

After inflation, the request for fiscal year 1982 was something like, I think, a 4-percent increase. Among major components of that program which were affected are activities such as the vocational education data system, a rather expensive effort on the Center's part in response to a very specific and far-reaching congressional mandate delegated specifically to the Center.

RELOCATION

Senator RUDMAN. On the general subject of your budget, you recently relocated your office from the main complex here to a suburb in Maryland.

I wonder if you could tell us why you did it, what it cost, whether or not this is going to give you some added transportation costs, use of energy, whether or not you think it is truly more efficient, and generally why you did it.

Mr. WENK. We did not volunteer to move, but when the Department was formed, there were certain practicalities of groupings of higher level people within the Department that had to be faced by those responsible for running the Department.

The National Center occupied a fairly large amount of floor space in what turned out to be a critical part of the downtown building.

For that and other reasons, I assume, we were relocated. We would be glad to inquire within the Department as to the costs.

We ourselves are looking forward to being back in town. We believe that will increase the efficiency of our operation.

Senator RUDMAN. You got bumped by somebody who had more seniority?

Mr. WENK. Yes.

Ms. CHRISTENSEN. The costs for that move were supported out of our salaries and expenses account.

I would be glad to supply that.

Senator RUDMAN. All right.

[The information follows:]

COST FOR NCES RELOCATION

The cost of the move was $28,050. This figure includes approximately $17,550 for actual moving costs, $10,000 for telephone installation, and $500 for ADP equipment installation.

FAST RESPONSE SURVEY

Senator RUDMAN. Can you tell us about your fast response system, how often you use it, who makes the decision to use it, is it expensive and is it real fast?

Mr. WENK. Yes.

Senator RUDMAN. I understand that is designed to give you quick responses to questions that might have a high priority.

Mr. WENK. That's right. The system is a prepaneled sample survey system basically set up for the sole purpose of providing extremely rapid answers to policy-relevant questions—basically on the run as they arise—for the Department and elsewhere.

A typical survey can run anywhere from $10,000 to $50,000, depending on the population we are going to, whether it's higher education, private schools, elementary, or secondary schools.

The system is very much supported by the Chief State School Officers' Committee on Evaluation of School Information Systems, which allows us to move extremely rapidly in deploying the surveys.

Representative response times are something like 3 months after fielding the question we have usable data back. We typically run four to six surveys a year and we stand ready to respond with an increase of that number under very easy internal conditions.

Senator RUDMAN. Thank you.

Mr. Madrid, I think the last question I have here that I want to talk to you about is the minority institutions science improvement program.

I guess the central question is whether there is any qualitative data available to tell us has this made a difference in providing access for minority students to engineering and science careers, a difference that you think is measurable and worthwhile?

Mr. MADRID. Yes; there is that. It is not completely—it is not direct. It is rather indirect.

An evaluation drawn in 1978 and completed in 1979 showed that between 1974 and 1977, the number of science majors and the number of people taking science courses and the numbers of people completing bachelor of science degrees in principally the traditional black institutions doubled and tripled—tripled in the case of the number of students taking them, doubled in the case of majors, and tripled in the number of bachelor of science degrees.

These formed the pool for the doctorate programs in science and technology as well as postsecondary programs in health care. These continue to be the main source of minority health science, science and technological students in research institutions.

Senator RUDMAN. Because there are other programs under other areas, the biomedical sciences program being funded at $3 million in 1982.

So this is not the only program designed to accomplish that. I believe I'm correct.

Mr. MADRID. The major difference is that there are only a small number of centers for the biomedical program and they do not tend to address a concentrated minority population as this program does.

SUBMITTED QUESTIONS

Senator RUDMAN. We will have additional questions to answer for the record, please provide your responses when you submit the corrected transcript.

Dr. Goldberg, do you have anything else you want to address this committee with?

We have 4 minutes left under my own prearranged schedule.

Dr. GOLDBERG. I want to say we appreciate very much this opportunity and we will be glad to answer any questions you have for us.

Senator RUDMAN. Senator Specter did arrive. You have 4 minutes, Al.

Senator SPECTER. It's a great pleasure, Mr. Chairman.

Thank you.

DECLINING TEST SCORES IN BIG CITIES

Dr. Goldberg, I note your extraordinary qualifications from the Philadelphia educational institutions and your extensive experience.

The subject matter is dear to my heart for obvious reasons. Just very briefly, within the 4 minutes remaining, what insights would you have to offer from the work of your unit within the Department of Education about what appears to be the significant failures of the Philadelphia public school system, which I presume will be well known to you?

Why are the results in our cities so low on scoring?

What lessons might the Philadelphia public school system learn from the questions of the Senator from that city and the distinguished educator from that city?

Dr. GOLDBERG. It is unfortunate that that's the question we have to address, but that is a national problem, not just a Philadelphia problem.

Senator SPECTER. Isn't it worse in Philadelphia?

Dr. GOLDBERG. It's worse in Philadelphia than it is in some cities, but it is also better in Philadelphia than it is in other cities.

Generally, it turns out that in Philadelphia, as in certain other large cities in this country, student achievement in the early grades, as a matter of fact, is on the upswing.

In the early grades, I mean the first, second, and third grades. It appears that the dropoff in test scores takes place in the middle grades and in junior high schools.

So, one major problem that Philadelphia and other large cities must address more than perhaps they have in the past is the issue of how to teach more effectively and how to create more suitable learning environments in the intermediate grades and the middle school grades.

If we look back over the last 15 years, one of the real pieces of evidence we have is that considerable emphasis was given to the early years.

Apparently there was some——

Senator SPECTER. Is the atmosphere worse than it was in 1935 when you worked there?

Dr. GOLDBERG. I'm sorry you mentioned my age, Senator. [Laughter.]

I can't speak to whether or not it was worse. I don't remember that very well.

One of the differences, I believe, that did exist between then and now is that there seemed to be a stronger sense of what the classroom teacher and the students' responsibilities were.

For a variety of reasons, distractions have entered into our schools to a more considerable degree.

Senator SPECTER. Such as?

Dr. GOLDBERG. We have a number of studies right now, for example, that are looking at the relationship between work and achievement in high schools.

There has been a stereotypical notion that it is probably good for students to work outside of school—and we are sure for many students, it is.

It turns out, however, that there seems to be a relationship between the number of hours a student spends working outside of school and their achievement in school.

Senator SPECTER. That would not apply to the earlier years?

Dr. GOLDBERG. No; that pertains to high school students. We are presently spending an enormous amount of time and effort trying to improve our ability to teach reading and math for middle schools and high schools and that is an area we did not spend much time on 5 years ago.

There are also important school finance lessons to be learned that we are working on. The problems of education are instructional, but they are also financial. There are issues related to that.

There are also issues related, I must say, to collective bargaining that are working in most big cities in this country, including Philadelphia.

We are addressing those issues in a variety of studies presently under way.

Senator SPECTER. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NON-TRADITIONAL STUDENTS

Senator Chiles: The Education Amendments of 1980 added to the authority and priorities of the NIE research on the special needs of nontraditional students, particularly the older adults who might need additional formal or informal education to upgrade their skills, etc. The statement of purpose of the NIE was changed by the Amendments to include removal of barriers age might represent in attaining equal educational opportunity. What are you doing to implement these provisions of the new law?

Answer: Current NIE activities dealing with adult education include research on the effectiveness of the personalized system of instruction (PSI) for teaching low educational attainment adults. PSI is a self-paced, peer tutoring method of instruction that has been sucessfully employed in college and university classrooms. This represents one of the first attempts to use this model in classrooms serving students interested in acquiring functional literacy skills.

Other NIE research activities are designed to better understand adult education and learning and thereby improve practice. These include the Northwest Regional Lab's work on the literacy requirements of various settings for youth and adults, a planned conference on adult literacy development, and research based on information gathered by the National Assessment of Educational Progress on the educational achievement of adults with respect to functional literacy competence. This research furnishes a view of the current status of functional literacy among adults on a national basis and illuminates historical trends that are of great value to adult education policymakers, researchers, and administrators.

The University of Mid-America (UMA), a consortium of 11 universities, is being funded to demonstrate the delivery of low-cost and effective open-learning services assisted by media to adults who cannot participate in ordinary postsecondary education programs.

Since 1974, UMA has enrolled over 16,000 students. The students participating in the UMA program have been predominantly married women. Other statistics show that 44 percent of the students served were forty years of age or older. Evaluations of the UMA program indicated that students registered for UMA courses because of availability, convenience, cost, and flexibility of arranging study time.

Question: What portion of your research funds and staff time are being devoted to issues involving nontraditional students?

Answer: Approximately $2.6 million and 4 person-years are currently being devoted by NIE staff toward the issue of nontraditional education.

Question: The 1980 Amendments also required that when data on educational participation and effectiveness of Federal programs is available on an age basis, the NIE include such data in its tabulations. How much data on educational programs is available on an age basis?

Answer: With respect to nontraditional education, the Education Amendments of 1980 broadened NIE's research priorities to include "overcoming the problems of the nontraditional student, including the older student (with special consideration for students over age 45) and the part time student, and the institution which the student attends" (section 1313).

Additionally, section 102 of the Education Amendments of 1980 established a Commission on National Development in Postsecondary Education to review the effectiveness of policies to promote Federal responsibilities in postsecondary education, including analysis of barriers to adult participation. That Commission was charged with coordinating its activities "with the research and demonstration priorities of the National Institute of Education." NIE stands ready to provide assistance to that Commission when it is formed.

RESEARCH AND BLOCK GRANTS

Question: The history of education in the U.S. involves a fairly strong Federal role in the areas of information gathering and research. Do you expect the Federal role to shift away from these areas and, do you expect any of the Federal research and gathering activities to be transfered to the States and local education agencies through block grants?

Answer: President Reagan's revised budget for fiscal 1982 continues to reflect data collection and research as an appropriate Federal role. None of the funds included for NIE or the National Center for Educational Statistics has been proposed for transfer into the block grants for education.

Although States and localities may increase their own activities in the areas of analyzing educational problems and collecting data, there will continue to be a need for strong Federal involvement to conduct research on major national issues such as student achievment score decline and to collect nationally uniform data in areas such as enrollment and cost changes.

LABS AND CENTERS

Question: Your budget narrative mentions plans to initiate research and development services to address the needs of underserved groups in the Southeast, Northeast, and Midwest regions of the country. Currently there are 17 regional Labs and Centers throughout the U.S. Can we expect proposals for new regional Labs and Centers to serve these areas in the near future and, if so, where would these centers be located?

Answer: In an August, 1979, addendum to its final report, the Congressionally-mandated Panel for the Review of Laboratory and Center Operations recommended that NIE consider the establishment of new Labs in three areas of the country currently unserved or only partially served by existing Labs--the Northwest, Southeast, and Upper Midwest.

In response to that recommendation, NIE's Director established a staff Task Force on Nationwide R&D Services charged with determining whether such institutions are needed and desired in those regions and, if so, how they should be established. The Task Force has carried out various activities to obtain advice from the regions and to derive lessons from the experience of existing Labs and other R&D institutions, including meetings with many State and local groups, the distribution of a guide for public discussion, open public meetings in one of the regions, and the preparation of papers on selected topics.

On the basis of these activities, the Institute has concluded that there is a convincing rationale for additional NIE-sponsored R&D activities in these regions, although new institutions might differ from the existing Labs in organization, staffing, and programmatic focus. If new institutions were established, they would be responsible for complementing the work of extant organizations in the regions. Generally, they would help coordinate the assessment of R&D needs and the provision of needed R&D services across their regions, concentrating on activities for which other organizations lack the necessary resources, expertise, or authority.

The Institute's budget request at the $84 million level provides funds for an initial planning award in one of the three regions in fiscal year 1982, with initial awards to be made in the other two regions in fiscal year 1983. However, at reduced funding levels, the Institute would be unable to initiate this activity.

Question: What is the procedure involved in establishing new Labs and Centers?

Answer: If the need for a new Lab is identified and if the required funds are made available NIE would solicit proposals, allowing all interested parties an opportunity to participate in planning. Awards would then be made on the basis of an open competition.

Question: What start up costs would be involved?

Answer: NIE estimates that approximately $200,000 would be necessary for the first year of planning for each institution. This would increase each year as the institutions completed their planning phase and began providing services, with each institution requiring $1-2 million per year within four or five years.

Question: The Carter budget requested $84 million for NIE. President Reagan's request is for $61 million while reiterating support for improvements in current educational practices. NIE provides significant support for 17 Regional Educational Laboratories and Research and Development Centers. How much money is NIE spending in contracts and grants through the regional Laboratories and Centers?

Answer: Under the Carter budget, the Labs' and Centers' basic institutional awards (under their long-term agreements with the Institute) were scheduled to total approximately $31 million.

Question: How will the cut be distributed among the agency's various functions and how much does NIE plan to spend in fiscal 1982?

Answer: A $61 million budget for FY 1982 would require significant reductions across the Institute's programs including possible reductions in the Labs and Centers as well as other institutional relationships. If such reductions become necessaary, the Institute intends to effect them in a manner that is equitable to all of its contractors and grantees. Furthermore, we will do everything possible to preserve the essential services provided by NIE.

Question: A recent GAO report mentioned Labs and Centers in particular as targets for which the NIE should implement stronger affirmative action measures to upgrade the positions of qualified women and minorities. Is NIE developing specific affirmative action plans and equal employment opportunity goals for the 17 regional Laboratories and Centers receiving NIE funds, as recommended in a recent GAO report?

Answer: NIE has done a great deal over the past few years to ensure that the Labs and Centers are aware of their affirmative action and equal employment opportunity responsibilities, sufficiently clear about their problems and plans for remediation, and committed to making steady progress in these critical areas. We have always required that the Labs and Centers include detailed affirmative action plans in their proposals for NIE funding. These are reviewed by NIE staff and external reviewers, with findings affecting the size and nature of the awards that are made. When NIE first offered the Labs and Centers long-term agreements (in response to the recommendations of a Congressionally-mandated panel), it spelled out specific conditions of the agreements, including needed improvements in the representation of women and minorities on the staffs, management, and boards of individual Labs and Centers. NIE has made it clear that it will continue to closely monitor progress in meeting these conditions and that future support from the Institute will require satisfactory remediation as a condition for future support.

In planning the crucial third-year reviews of the Labs and Centers (which will provide the primary basis for determining whether to renew the long-term agreements), NIE is giving particular attention to reviews of equity, affirmative action, and equal employment opportunity. The Institute's EEO Office, in concert with appropriate NIE staff, is developing a contract and grants compliance review program which will provide technical assistance, education and training and consistent monitoring of affirmative action across the Labs and Centers and all major contracts and grants. We are focusing on Labs and Centers as a priority program.

Question: Is the percentage of minorities and females in the general U.S. population an appropriate yardstick to measure participation in research and development activities as suggested by GAO?

Answer: We believe that the participation of women and minorities in the Labs' and Centers' research and development activities should be compared with the participation of women and minorities in R&D generally. Eventually, of course, we hope that such participation will approximate the percentage of women and minorities in the general population. The Institute is supporting several projects designed to heighten opportunities for women and minorities, including projects at many of the Labs and Centers.

Question: Has there been an official NIE response to the GAO report?

Answer: The Secretary of Education submitted a letter, a copy of which is attached for the record, as an official response to the GAO report entitled "The National Institute of Education Should Further Increase Minority and Female Participation in Its Activities." As this letter indicates, the Department was pleased that the report acknowledged the Institute's progress in affirmative action and equal employment opportunity over the years, as well as efforts already under way to remedy difficulties identified by NIE. Such efforts have been part of the Institute's basic objective of ensuring that the concerns of minorities and women are reflected in the NIE research program.

JAN 16 1981

The Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

On November 10, 1980, Gregory Ahart, Director of the Human Resources Division of the United States General Accounting Office, forwarded a report to Congress entitled "The National Institute of Education Should Further Increase Minority and Female Participation in Its Activities." In accordance with Section 236 of the Legislative Reorganization Act of 1970, this letter constitutes the Department of Education's written response to the recommendations contained in the report.

The Department is pleased that the report acknowledges the consistent progress the Institute has made in affirmative action and equal employment opportunities over the years, as well as numerous efforts now underway to remedy difficulties which the agency itself had already identified.

For example, on page 7 the report states:

> NIE's EEO profile has improved since 1973. Its minority and female work force is generally representative, or in some cases over-representative, of the general U.S. population. NIE recognizes minorities and women are over represented in clerical/support positions, and it has established an upward mobility program to address this condition.

On page 9, the report comments:

> NIE initiated many measures and devoted considerable effort to ensure that equity is a consideration in most, if not all, research undertaken.

Chapter 3 of the report discusses affirmative action and EEO concerns at the 17 laboratories and centers supported in part with NIE funds, and notes that "general and special requirements regarding affirmative action and training for women and minorities were built into the agreements as conditions for continued NIE funding."

Finally, on page 30, the report comments upon the "numerous projects designed to assist black colleges and increase their participation in NIE-sponsored activities."

We are pleased that these comments accurately reflect the degree to which NIE has paid serious attention over the years to increasing the representation of women and minorities in the agency's work force and to focusing its research on the concerns of these groups. These efforts have been part of the agency's basic objective of insuring that the Institute's staff and contractors, at all levels, reflect the diversity of our society. The Institute's leadership is convinced that this policy is the most effective way to guarantee that the concerns of minorities and women will be reflected in the NIE research program. The success of these efforts can be seen in the following statistics:

- o of the 38 senior management positions at the Institute during the period of the GAO examination, 11 were filled by minorities and 13 by women;
- o currently, of the top six management positions at NIE, three are filled by women, two of whom are minority women.

The remainder of this letter addresses the recommendations contained in each chapter of the report.

Chapter 1

Chapter 1 of the report is an introductory chapter describing the National Institute of Education, the origin of this GAO investigation, and the objectives and scope of the study. It contains no recommendations.

Chapter 2

Chapter 2 reviews NIE's history of affirmative action and equal employment opportunity and concludes that the agency's EEO profile has improved since 1973. The chapter contains no recommendations.

Chapter 3

Chapter 3 focuses upon affirmative action and equal employment opportunity at the 17 laboratories and centers supported by NIE. The chapter contains four recommendations for the NIE Director:

- — Develop, in conjunction with the laboratories and centers, specific goals and timetables for the adequate representation of minorities and women at each institution.
- — Monitor laboratory and center progress in achieving these goals.
- — Aggressively enforce the EEO and equity conditions of the long-term agreements.
- — Direct the EEO office (at NIE) to ensure that the laboratories and centers are aware of and exercise their EEO responsibilities.

We concur. NIE's EEO and affirmative action objectives with respect to the laboratories and centers are fully consistent with the intent of these recommendations. In particular I want to note that NIE's review of the second year plans of the 17 labs and centers scrutinized their affirmative action and EEO plans much more closely than had been the case with the first year plans which the GAO examined. I am directing the NIE Director to insure that the laboratories and centers are aware of and exercise their EEO responsibilities. These goals will be pursued in spite of the practical difficulties presented by tenure regulations at the centers and the fact that each of these institutions receives funding from sources other than the Federal government as well as from other Federal agencies.

Chapter 4

Chapter 4 focuses upon the Institute's unsolicited proposal program. The chapter concludes that the unsolicited proposal program has not significantly increased the number of NIE-funded "minority- and women-managed projects," and recommends that the NIE Director modify the evaluation criteria in order to increase the number of successful minority and women applicants and that the Director establish goals for the number of women and minorities participating in the program.

The Department believes (1) that the conclusion in this chapter, and the consequent recommendations, are not supported by the data presented in the body of the chapter, and (2) that the chapter misinterprets the purpose of the unsolicited proposal program as largely a program designed to increase the number of proposals received from, and projects funded to, organizations headed by minorities and women.

As the body of the chapter makes clear, thirteen percent of the funded proposals in this program were awarded to minority firms. It hardly seems accurate to conclude that the program "has not significantly increased minority and women grant recipients."

With respect to the purpose of the unsolicited proposal program, its major goal is to encourage unique ideas, from people outside NIE, relevant to the agency's mission. The emphasis in this program, therefore, is on the nature and quality of the work to be performed and not upon the nature of the people proposing to do the work. In the program, priority is given to women and minority researchers after the proposed work satisfies the agency's criteria with respect to the quality and nature of the work.

The recommendations with regard to the evaluation criteria used to judge the unsolicited proposals will in part be met by new evaluation criteria which are now being developed for all of NIE's grant programs. The new program-wide evaluation criteria will place greater emphasis on equal employment opportunity, affirmative action, and equity issues than has been true in the past.

Chapter 5

Chapter 5 discusses four outreach programs for minorities and women supported by NIE. These are:

- o The Small and Disadvantaged Business Utilization Program (SADBUP);
- o The Minorities and Women's Program (MWP);
- o A Black colleges initiative; and
- o The unsolicited proposal program.

The report makes two recommendations to the NIE Director:

— Allocate additional resources to SADBUP so that its outreach, advocacy, and monitoring functions can be effectively implemented.

— Reemphasize NIE's support for its outreach efforts to increase minorities' and women's participation in NIE activities.

With respect to SADBUP, I have instructed the NIE Director to see to it that:

- o SADBUP continues as a high priority activity of the Office of the Director;
- o NIE's innovative incentive fund for program managers who exceed their annual 8(a) goals be continued;
- o the agency continue the practice of announcing at the beginning of each year those planned procurements which are particularly suitable for 8(a) firms; and
- o every effort is made to continue the agency's record of increasing the proportion of 8(a) funds spent on research and development as opposed to support services such as conference management.

I trust, Mr. Chairman, that these comments on the recommendations of the General Accounting Office are of some assistance to you. If you need further information on this matter, I hope you will not hesitate to be in touch with this office.

Sincerely,

Shirley Hufstedler

Shirley Hufstedler

EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

Question: What are the functions of the Educational Resources Information Center?

Answer: The Educational Resources Information Center (ERIC) is a national information system for education. ERIC was begun in 1965 and the network consists of 16 subject-oriented clearinghouses that acquire, select and process unpublished educational documents that would not otherwise be available. They consist of research reports, conference papers, curriculum materials and guides, project descriptions, dissertations, legislation and other publications of conern to teachers, administrators, and researchers. Approximately 1,400 documents are announced each month in the journal, Resources in Education (RIE). Over 700 librarians around the world subscribe to RIE. All ERIC documents are produced in both hardcopy and microfiche format, providing wide availability. ERIC can be searched by computer through all the major search services, and is the most widely used data base of its type available to the public.

Similar selection and index services are provided for articles in over 750 educational journals and announced in Current Index to Journals in Education (CJIE), also a monthly publication.

The ERIC system contains over 400,000 document and article citations. It can provide rapid access to information concerning educational research and practice so that local educators can make their own decisions about most appropriate courses of action.

Question: How many are there currently and at what level of Federal Support?

Answer: There are 16 subject-level, and topic-oriented clearinghouses and three major support contracts. The budget for the ERIC system in fiscal year 1981 is $5.5 million.

TESTING

Question: To a certain extent, NIE has been involved in the issue of testing. In your view, what is the legitimate Federal role in the area of educational testing?

Answer: The Federal government has a legitimate, twofold role in educational testing: (1) to monitor, over time, educational achievement nationwide; and (2) to encourage the appropriate use of tests by State and local education agencies.

(1) Monitoring achievement: Since 1969 the Federal government has sponsored the National Assessment of Educational Progress (NAEP), which periodically collects information on achievement in selected subject areas such as mathematics, reading, writing, and science. NAEP is the only testing program in this country which provides periodic performance indicators based on national samples of students. It provides the best source of information available in this country on changes in test performance over time. The results are used by States, among others, for planning purposes. NIE is the Federal agency which supports and monitors NAEP.

(2) Encouraging appropriate uses of tests: The misuse of tests is the biggest problem in testing today. Much of the controversy

over testing is directly related to inappropriate use of test information. For example, there is considerable controversy over the use of intelligence tests to place minority students in special education classes. Also controversial is the use of minimum competency tests to award or deny a high-school diploma. There is an appropriate Federal role in improving the capacity of State and local education agencies to use tests in more appropriate ways. NIE is encouraging appropriate test use in several ways. We support research on alternatives to standardized tests, on methods for reducing test bias, and on ways to improve the instructional value of tests. We support the development of publications on testing for the public and others, such as Your Child and Testing (available through the Consumer Information Center). And we are assisting State and local education agencies to find solutions to their own problems in testing through a field-based research grants program and through support for workshops and conferences on testing which are tailored to State and local needs.

In addition to NIE's role in testing, the Federal government in general has a role in testing as a consumer of tests and test information. The Federal government is one of the largest consumers of educational and psychological tests; every year the Federal government uses thousands of tests and other assessment procedures in the military and in the civil service system. These tests are used to select people for jobs (e.g., PACE exam) and to evaluate their performance on the job. In addition, the Federal government uses statistical data generated through numerous data collection surveys, such as the Census, which are sponsored by the Federal government and which are tailored to the specific information needs of the government.

Question: To what extent is NIE involved in the development of any national competency-based testing?

Answer: The Federal government does not have a legitimate role in developing national standards, or a national curriculum. Therefore, it does not have a legitimate role in determining competencies. NIE has no involvement whatsoever in the development of national competency-based testing.

MATH SKILLS

Question: What do we know about the use of calculators and their effect on mathematical skills development?

Answer: NIE established the Calculator Information Center to provide a national source of information on the use of hand-held calculators in the learning and development of mathematics concepts and skills in students of all ages. Information is gathered continually from technical and commerical journals, pertinent national professional associations, and local education agencies that are incorporating work with calculators in their instructional programs. In addition to responding to mail and phone requests for assistance, the Calculator Information Center prepares a variety of documents on calculator usage in mathematics education that are disseminated to more than 2,500 persons on their mailing list.

The Calculator Information Center prepares an annual state-of-the-art report that presents current concerns and research findings.

According to the 1979 report, more than 100 studies on the effects of calculators on student achievement in mathematics were conducted from 1974-1979, and most concluded that calculators do not harm students' achievement in mathematics. In all but a few studies, achievement scores are as high or higher when calculators are used for instruction than when they are not used.

Question: Is there cause for concern that the use of calculators in elementary and secondary schools will preempt the development of math skills at critical-learning stages?

Answer: No, all the available evidence to date suggests that calculator use is not detrimental to the development of mathematical skills in children. In fact, calculators can be a powerful tool to promote computational and problem-solving skills.

BILINGUAL INFORMATION

Question: Among NIE's many activities is the operation of a national clearinghouse to gather information from a network of 33 regional centers on bilingual education and make this information available to State and local education agencies. To what extent is information being made available to State and local educational agencies?

Answer: All 50 State education agencies (SEAs), over 600 local education agencies (LEAs), and 9 foreign countries have requested information from the National Clearinghouse on Bilingual Education in the last six months alone. In fact, almost half of all requests come from the SEAs and LEAs. Additionally, the Clearinghouse sends over 15,000 newsletters monthly to SEAs, LEAs, teachers, administrators, and professional associations.

Question: What type of information is most often requested?

Answer: Over half of the requests are for general information, materials on the Clearinghouse, and for research results and materials in bilingual education. Other frequently requested information is on topics such as cultural and ethnic groups, English as a second language, and federal funding for bilingual (Title VII) programs.

Question: What are the main problems associated with teaching and learning in bilingual education?

Answer: The major problems associated with bilingual education today include: assessment of language abilities in English and other languages; teacher training in bilingual methods and content areas; availability of adequate materials and developmental curricula; information on how one learns languages and teaches languages most effectively; and, teaching and learning to read and write in English and how that is facilitated by literacy in another language.

Question: What is the budget of this clearinghouse?

Answer: The Institute's budget request, at the $84 million level, provides one million dollars for the Clearinghouse. The Office of Bilingual Education and Minority Language Affairs (OBEMLA) consponsors this project and will provide matching funds.

RURAL EDUCATION

Question: To what extent are the research and dissemination programs of the Department of Education serving all groups, rural as well as urban?

Answer: There are some projects in the areas of research and dissemination which are specifically addressed to urban or rural needs. For example, NIE supports an Urban Superintendent's Network for the exchange of research and policy information with this group of practitioners, and many of our studies of school desegregation and effective schools are focused on urban districts. Similarly, the ERIC Center on Rural Education and Small Schools has a mandate to collect and support the utilization of research about rural education, and NIE has studied the implementation of Federal mandates in vocational education and special education in rural districts. In addition, rural research projects have been conducted on the effectiveness of Federal programs such as the National Diffusion Network and Teacher Corps in rural areas, and on the characteristics of education service agencies which provide technical assistance in many States to rural districts.

The majority of research and dissemination projects, however, are not limited in their focus to a particular subgroup of districts. Rather, dissemination projects such as the State Capacity Building Program or the National Diffusion Network can assist all types of districts through a generic strategy. Similarly, basic research on reading or techniques of teaching bilingual education, or the role of Federal courts in influencing national education policy benefits educators regardless of where they work.

Question: In your view, what are the major problems associated with rural education?

Answer: The primary sources of problems for rural schools are their smaller size, their less adequate funding, and the lack of sufficient support from the State and Federal level. Smaller schools with less money have a difficult time offering a broad program for different types of students. The higher costs of transportation in sparsely-populated rural areas and relatively higher administrative costs due to smaller economies-of-scale further reduces the resources available for instructional services. Rural schools typically require teachers to prepare for a broader range of subjects and a wider range of ages or grade levels. Administrators also must fill multiple roles. However, it should be noted that rural schools have a number of characteristic strengths, including community support and participation, freedom from violence and vandalism, and opportunities for a greater participation of students in leadership roles. While rural schools produce students with lower than average scores on achievement tests on a national basis, in many States small districts are among the highest ranked in average student performance.

Question: What types of research activities are planned or underway in the area of rural education?

Answer: Several research activities are planned or underway in the area of rural education. Currently in progress is a study of special education in rural areas which is exploring different ways in which rural districts are cooperating to serve small numbers of handicapped children, and the burdens of Federal legislation on rural teachers and administrators.

Other planned studies in NIE's $84 million budget include:

-- a survey and case studies of small school characteristics, focused on districts with fewer than 300 students, will investigate the strengths and problems of these schools in the areas of academics, school environment, and relationships with parents and the community;

-- the State education policy project, which will provide small grants and information services to State education agencies and other groups for analysis and planning of State regulations and programs for rural schools; and,

-- a study of technology in rural schools which will develop a handbook of successful programs using technology and will study the problems of implementing new programs involving technology in rural classrooms.

Some noteworthy projects that NIE has completed include:

-- a study of rural education reform efforts which reviewed the impact of 14 Federal, State, and local efforts to improve rural schools, including staff development, community participation, organizational change, and curriculum development strategies;

-- an assessment of finance formulas in several Federal programs which investigated how rural districts of different sizes fare in the distribution of funds; and,

-- a project on rural vocational education which studied the impact of Federal legislation on opportunities for rural women to gain vocational training, on the types of programs provided in rural districts, and on the relationship between vocational education and economic development in small communities.

Question: How much has been spent in the past ten years on rural education projects?

Answer: Over the past ten years, support for rural education projects totalled approximately $66 million. The majority of the money supported two demonstration programs: the Rural Experimental Schools program and evaluation for $25 million--a program of grants to rural districts to support local school improvement--and, the ATS-6, Appalachia, and Alaska satellite demonstration projects for $32 million--programs to bring educational programming to students in rural and geographically isolated areas.

Approximately $6 million has gone to the Northwest Regional Education Laboratory's Rural Education Program--a program of materials and training to support school/community planning and needs assessment.

Two million dollars has been spent in support of the Educational Resources Information Center--ERIC--Clearinghouse on Rural Education and Small Schools.

The remaining one million dollars supported various NIE policy research studies examining the impact of Federal and State policies on rural education.

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

Question: The NIE has a congressionally mandated advisory committee called the National Council on Educational Research. Our information is that the Council has not made a report to Congress since 1977, despite the fact that an annual report is required by law. True or not? Is 1977 the most recent annual report?

Answer: On March 2, 1981, the National Council on Educational Research issued its Fifth Report to the President and the Congress. This report covers fiscal years 1978 and 1979. The Annual Report for fiscal year 1980 is presently being prepared and will be issued by the Council on March 31, 1981, the deadline for the report set by Congress.

Question: This National Council is supposed to review the conduct of NIE. Can you cite a few instances where the Council reviewed the Institute's conduct? What were the issues reviewed and what did the Council propose?

Answer: The National Council on Educational Research does indeed review the conduct of NIE. Its oversight responsibilities include review of the Institute's internal budget allocations, its annual budget request to the Office of Management and Budget and to the Congress, as well as a review of the Institute's program activities. The Council's Fifth Report details the Council's oversight activities during fiscal years 1978 and 1979.

One of the primary purposes of the Council is to provide advice on matters of educational policy with respect to the Institute and its programs. Under its review authority, the Council assesses NIE's progress toward its Congressionally mandated mission and its success in meeting the policies established by the Council. The review process provides the framework needed by the Council to effectively carry out its policymaking function.

In 1978, the Council revised its review procedure to focus its oversight process and allow more time for subtantive discussion and analysis of program activities. The revised procedure calls for a series of in-depth presentations to be made by NIE staff and guests during the Council's regularly scheduled meetings. Each presentation details the goals and accomplishments of the area under review and focuses on the relationship of that area to existing NCER policy.

Under the new oversight procedure, the Council has reviewed NIE activities in the following areas: desegregation studies, educational equity, literacy, and dissemination. The Council was generally pleased with the Institute's direction and accomplishments in these four areas.

The review of dissemination, for example, began in July 1979. It was completed and a policy adopted in June 1980. A plan to implement the policy was developed by the NIE staff and was discussed with the Council at the January 1981 meeting.

Earlier reviews by the Council had resulted in policies on fundamental research, curriculum development, and support for institutions performing educational R&D. These and other Council policies and perspectives have been reported in earlier Council reports. With regard to fundamental research, the Council's policy stabilized support for this special mission of NIE and reinforced guidelines for selection of the highest quality and most significant work.

The policy on curriculum development restrained NIE involvement in such activities by requiring explicit attention to the needs and foundation for various degrees of support.

The policy regarding support for R&D institutions established criteria for careful and periodic review of institutional arrangements consistent with NIE's statutory mission and with principles for support of high quality work.

The Council's Sixth Report will feature a discussion of teaching which follows Council review of that major area of Institute activity.

EDUCATIONAL EQUITY

Question: To what extent is there unequal distribution of opportunities in educational research?

Answer: The latest data from the American Educational Research Association (AERA) on the composition of the educational research and development work force estimates that minority participation is about 7 percent and women about 30 percent. This compares with 20 percent and 52 percent respectively in the general population (U.S. Census, 1980).

In recognition of the need to increase minority and women's participation in its own research activities and educational research more generally, NIE began a Minorities and Women's Program in 1976 to help remedy this dilemma. In 1977 a program was launched with the Regional Educational Laboratories and Research Centers, and in 1978 a grants program was established focusing on providing advanced educational opportunities and research skill instruction to minority and women researchers throughout the country. Five years following the inception of the Minorities and Women's Program, NIE can point to a number of gains. Approximately 1,200 minorities and women have experienced some level of advanced educational training or research skill instruction through projects sponsored by the Minorities and Women's Program. In addition, several Minorities and Women's Program participants have been among those minority and women researchers who have competed successfully for NIE research grants. Several of the participants have been successful at having monographs published in scholarly educational journals and educational magazines and newsletters. There are other instances where Minorities and Women's Program participants have, following their participation in the program, received important promotions in their own institutions or have accepted excellent positions elsewhere.

Question: How much has been spent in the last nine years on the equity question?

Answer: The National Institute of Education was established with a legislative mandate to provide to every person an equal opportunity to receive an education of high quality regardless of race, color, religion, sex, national origin, or social class. NIE has accepted the challenge of this equity mandate and has adopted the theme of increasing educational equity as a primary focus that is pervasive throughout the Institute, guiding its policies, its planning, and its programs. In fact, attention to equity concerns is a criteria for approval in the budget planning process. NIE has expanded its equity research beyond the issue of access, to the questions and issues of equitability of outcomes, and it has become the principal unifying thrust for all research activity at NIE.

Many programs at NIE are targeted specifically toward reducing the educational inadequacies or disparities that the disadvantaged suffer, while other programs at NIE, although addressing other educational issues such as reading, writing, math, or testing, nearly always have a component built into the program to ensure attention to equity aspects. In fact, the equity issue is so pervasive throughout the Institute's work that we feel that all of the $667 million appropriated to NIE since 1973 has addressed the overriding mission of improving educational equity.

UNIVERSITY OF MID-AMERICA

Question: What is NIE's involvement in the University of Mid-America?

Answer: The Institute provides support to the University of Mid-America (UMA), which is a model postsecondary open learning system reaching people through television, audio cassettes, and other technical innovations. The system is a consortium of 11 universities in seven Midwestern states (Iowa, Kansas, Minnesota, Mississippi, Nevada, North Dakota, and South Dakota).

Question: Does the University of Mid-America award degrees?

Answer: The cources offered by the University of Mid-America are accredited by each of the participating universities, but the University of Mid-America does not award degrees.

Question: How much Federal support will be directed to the University of Mid-America in fiscal years 1981 and 1982?

Answer: The Institute provided $2,150,000 to the University of Mid-America in fiscal year 1981. The Institute's budget request, at the $84 million level, provides $2,150,000 for the University of Mid-America in fiscal year 1982, which, under the terms of an agreement with UMA signed in October, 1979, is to be the last year of NIE support. In the future, the University of Mid-America is to become a self-sufficient organization.

RELATIONSHIPS WITH TEACHER CENTERS

Question: Among the activities planned for NIE in Fiscal 1982, outlined in your budget narrative, are efforts to improve the effectiveness of new teachers and reduce the trauma and stress of their occupation. To what extent is NIE involved in services and training for teachers?

Answer: Because the basic mandate of NIE is as a research and development agency, most of our work is intended to produce new knowledge or conduct research on existing programs/services rather than providing direct support for services and training as do other parts of the Department of Education such as the Teacher Centers and Teacher Corps. This new knowledge and research on existing efforts provides the foundation upon which more effective service and training programs can be developed. As an example, the fiscal year 1982 work proposed by NIE in the area of new teachers will build upon a recently completed study which surveyed existing efforts to help new teachers, analyzed their strengths and weaknesses and examined the nature and causes of the problems of these teachers. The fiscal year 1982 efforts will make this information available to local education agencies (LEAs) and educational decision-makers at other levels, invite proposals from local education agencies to investigate the nature of problems in their specific setting, and then proceed to plan appropriate staff development activities to alleviate those problems. The staff development efforts that are established will then be of direct service to teachers and provide training but the staff development efforts themselves will not be supported by NIE funds.

The Interactive Research and Development on Schooling project helps teachers and other practitioners develop a collaborative process for conducting research on their own classroom/school problems, and then use the results to improve specific instructional or organizational practices. The Research on Bilingual Inservice project funds several LEA's to develop research processeses for their own use in investigating the strengths and weaknesses of their bilingual instruction and in then designing appropriate staff development activities to assist teachers. A principal aim is to explore the utility of these research processes as useful tools for practitioners in schools across the nation. Several other research projects on what constitutes effective teaching have taken the next logical step of designing staff development activities based on those findings to explore whether teacher behavior could be changed to exhibit more effective behaviors and increased student learning, both of which were achieved. It should be noted that these efforts are to develop prototypes for service and training that are to be disseminated and, hopefully, adopted by practitioners.

NIE does provide support for services in how teachers and other educational personnel can make better use of research results in improving educational practice. In the NIE-supported Educational Resources Information Center (ERIC) system, educational research and development information is compiled and analyzed to make it accessible to both practitioners (including teachers) and researchers. Clearinghouses in the ERIC system focus on specific subject areas, such as teacher education, reading, mathematics, urban education, etc.

Research Within Reach publications in the areas of reading and mathematics bring together recent research evidence and frame it around questions which have been submitted by teachers. The Research and Development Utilization projects were targeted at getting research information into the hands of teachers in a useful format and also investigated the impact of that information on teachers' growth. Another effort--the National Education Practice File--maintains and improves a file of exemplary teaching practices for use by teachers and other practitioners throughout the country. The Research and Development Exchange program represents a collaborative effort among R&D Centers and Regional Laboratories to communicate the results of R&D to educational practitioners and adds the reciprocal function of devising ways in which practitioners can communicate their concerns to educational researchers in order to influence the relevance and utility of the research. Finally, the State Capacity Building effort includes the provision of "linker agents" who work directly with teachers and other school personnel in interpreting and applying R&D results.

Question: How much will be spent on these activities?

Answer: The improvement of educational practice is one of NIE's two overriding goals that are the guiding themes of NIE's work and is the basis upon which the Institute was established. Most of NIE's activities are directed, either specifically or in part, toward the ultimate goal of improving the practice of teaching.

With respect to the specific issue of direct teacher services and training, however, approximately $3.5 million in FY 1982 funds of the dissemination projects are specifically aimed at teacher use, as opposed to other educational practitioners and decision-makers.

Question: Isn't this the sort of thing being done in the Teacher Center Program which received $13 million in fiscal 1981?

Answer: The basic difference between NIE's efforts and those of the Teacher Centers is the difference between research and development activities to create knowledge and investigate current practices (NIE) and providing direct support services and training to teachers (Teacher Centers). Rather than duplicating services, then, NIE's work would serve as one source of knowledge and information on effective practices that Teacher Centers--as well as schools in general--could use to develop their own training activities and services. In many ways, NIE can provide useful information on effective teaching practices as well as on what might constitute effective staff development activities to bring about those effective practices. The Teacher Centers could then use the staff development research results to improve the training processes themselves.

NIE supports a Teachers' Centers Exchange program at the Far West Laboratory for Educational Research and Development which is designed to disseminate research information and provide technical assistance to 300-400 teacher centers throughout the country. While this project predated the Teacher Center Program it drew the Federally-funded centers into its mutual assistance network that already existed among locally-funded centers. Operating since 1974 on a budget of $425,000 a year, the Exchange sponsors a series of small conferences each year for teacher center staffs, provides a telephone referral service tieing together resources and expertise among projects, offers mini-grants for visits from one center to another, has an active publications program, has sponsored practical research on teacher centers, and carries out liaison activities with other organizations interested in teacher centers. The Exchange does not duplicate the work of the $13 million Teacher Center Program for two reasons. First, the Exchange serves all of the independent centers throughout the country as well as the Federally funded centers. Second, the Federal legislation provides no funds for technical assistance to centers. Consequently, the Exchange is the only national support service for centers.

PAPERWORK

Question: What are the latest accomplishments of NCES toward eliminating unnecessary paperwork?

Answer: NCES has contributed to the overall reduction of paperwork burden placed on educational agencies in two ways:

1. Until January 1981, NCES provided administrative support for the Federal Education Data Acquisition Council (FEDAC) responsible for the day to day operation, review, and approval authority concerning paperwork burden.

2. The Center eliminated, deferred or reduced the implementation and frequency of certain NCES initiated data collection activities originally planned for Fiscal Year 1981 and thereby reduced associated burden.

FEDAC coordinates Federal plans for education data acquisition; reviews the plans for justifying their use, redundancy, costs, overall burden, and use of standard terminology and definitions; publishes the title, respondents, and estimated burden of proposed surveys in the Federal Register by February 15, preceding the school year in which the data are to be collected; consolidates public comments for use by Federal managers in modifying their data plans; conducts follow-up reviews to ascertain whether the data collected were used or not; examines regulations and procedures as well as work statements for inherent data collection burdens; and maintains an automated redundancy checking system to assist in avoiding duplicative information requests.

Between October 1979 and December 1980, FEDAC reviewed proposed data acquisition activities for the Education Department as well as those of several other Federal agencies. The latter included education-related data collections from the Department of Agriculture, the National Science Foundation, and the Department of Justice's Law Enforcement Assistance Administration. In addition, 158 data plan summaries were reviewed for publication in the Federal Register as part of the February 15 statutory notice requirement. During this 15 month period, FEDAC reduced data burden by approximately 20 percent of a total of more than 10,000,000 burden hours proposed. These hours include time spent filling out student financial aid and campus-based program applications, grant program applications, evaluations, record-keeping requirements and other data collection forms. As a result of its review, FEDAC was able to reduce response burden by 2,200,000 hours. FEDAC also provided extensive technical assistance to many data collection sponsors and recommended numerous improvements in design, question format, and the definitions and terminology used.

Among the NCES initiated data collection activities originally planned for Fiscal Year 1981 and subsequently modified, were the following surveys: Survey of Libraries in Institutions of Higher Education; Survey of Facilities in Institutions of Higher Education; Survey of Teacher Demand and Shortages; Update of the Universe of Private Schools; Update of the Universe of Museums.

Question: What percentage of the statistics collected by NCES is directly mandated by Federal Legislation?

Answer: The Center's basic legislation states that, "The Center shall collect, collate, and from time to time, report full and complete statistics on the conditions of education in the United States." In that broad sense all of the Center's statistics are collected in direct response to this mandate. Indeed, some portions of the data obtained from virtually every project conducted by the Center is used in the annual NCES publication The Condition of Education and is thereby responsive to the basic Congressional data collection mandate.

However, there have been several legislative mandates for very specific data to be collected by NCES. Public Law 94-482 mandates the development and operation, by NCES, of the Vocational Education Data System (VEDS). This system is one of the largest data collection systems operated by the Center, and it places considerable reporting burden and costs on States and subsequently on local education agencies. Public Law 81-874 requires NCES to collect data on state revenues and expenditures in education. These data are obtained through the Center's Common Core of Data (CCD) system. Public Law 95-561 requires the collection by NCES of additional data on the financing of elementary and secondary education at the local agency level as well as the production of a composite profile of each State showing the disparity in resources among the school districts within the State. Part of these data are obtained through CCD combined with data from many other sources. Public Law 94-482 also mandates that the Center conduct surveys of elementary/secondary school teachers supply and demand, and Public Law 95-561 requires the acquisition of data on the number of language minority pupils and bilingual teachers.

These specific mandates comprise a significant portion of the total NCES data collection effort. In Fiscal Year 1981 at least an estimated 35 percent of the Center's data collection budget is associated with the operation of the surveys and systems that collect and produce specifically mandated data.

FAST RESPONSE SURVEY SYSTEM (FRSS)

NCES maintains a fast response survey system for obtaining quick information on priority topics but there have been some questions about the cost and use of this system.

Question: How often does NCES use its Fast Response Survey System?

Answer: There is no set number of Fast Response Survey System (FRSS) surveys per year since they are conducted only upon the request of Department policy-officials. These request for policy-oriented data must be justifiable in terms of immediate need for the data and feasible for a short, easily answerable questionnaire.

In the four and one-half years since the first FRSS survey was mailed out, 12 surveys have been conducted, and the 13th is now being pre-tested. In the last two years, six surveys were conducted, indicating an increasing use of the system.

Question: What is the cost of using this system for each survey?

Answer: The cost varies by the nature of the survey. Surveys of State education agencies have averaged about $18,000 each, while sample surveys of school districts, or of institutions of higher education have averaged about $50,000 each.

Question: Just how fast is this system in providing quick information?

Answer: Data are provided within three months after mailout of the questionnaire. For example, the latest FRSS survey results addressing the use of Classroom Computers, was mailed out in November 1980 and data were available in January 1981. These timelines do not include the time spent on questionnaire development, clearance, and field testing (which normally consume 3-4 months.)

Question: Who determines when a question is important enough to use the FRSS?

Answer: The FRSS Project Officer, after matching the question to the FRSS capability, makes recommendations to the NCES administrator, the final arbiter of the surveys to be conducted.

CIVIL RIGHTS STATISTICS

Question: What is the status of collecting Civil Rights statistics?

Answer: The Office of Civil Rights collects its own data for elementary-secondary education areas. NCES' Higher Education General Information System (HEGIS) collects annual data on higher education enrollments and degrees conferred. By joint agreement, since 1975, NCES has collected and made available data by sex and race/ethnicity for OCR on an alternating year basis from these HEGIS surveys.

Question: If these statistics are still collected by the Office for Civil Rights instead of NCES, to what extent does NCES supervise or provide technical assistance?

Answer: NCES provides technical assistance to OCR in its elementary-secondary data collection activities through participation in OCR's planning conferences. NCES carries out all aspects of OCR's higher education data collection activities through HEGIS.

Question: For greater efficiency, are there plans to combine all Civil Rights statistical collection capabilities within NCES?

Answer: At this point in time there are no plans of which we are aware.

STATISTICS ON PROGRAMS TRANSFERRED

Question: With the establishment of the Department of Education a number of programs from other agencies were transferred to the Department. Does your budget request reflect any increases in the cost of collecting statistics on programs transferred to the Department of Education for which NCES has not previously been responsible? When will the publication of these statistics begin?

Answer: No. NCES has not initiated any data collection activities of this type, nor does the budget request reflect any. NCES provided technical assistance to the Rehabilitation Services Administration (RSA) and the College Loan Program which was transferred from the Department of Housing and Urban Development. For RSA, NCES evaluated the feasibility and cost-effectiveness of having State rehabilitation agencies collect data from a sample of rehabilitation service recipients rather than a universe. For the College Loan Program, NCES assisted in the development of a data collection questionnaire. Neither of these efforts has required any new data collection on the part of NCES.

PRIVATE SCHOOL AID

Question: What is the status of the NCES report on the extent of the participation of private school students in Federal programs? When can we expect this information?

Answer: NCES completed in January 1981 a feasibility study to develop a method for collecting data to estimate the extent (and dollar value) of the participation of private school students in Federal programs. The actual survey is included in our program for Fiscal Year 1982. Assuming award of the contract according to usual procurement schedules, the contract would not be awarded before early 1982. With this schedule, the data could be available late in 1982.

STUDENT FINANCIAL ASSISTANCE

Question: What activities are planned or are already underway in the effort to provide information for the study of student aid needs of college students?

Answer: In Fiscal Year 1981 NCES began the design phase of a survey of students in postsecondary education. Its objective was to estimate the number and characteristics of recipients of guaranteed student loans and other forms of Federal financial aid. At the same time the Office of Planning and Evaluation in the Department of Education was planning a fourth study of the impact of student financial aid programs. Since these two surveys had overlapping objectives, NCES as well as OPB felt that conducting both surveys would be extremely redundant. As a result, NCES has provided technical assistance to OPE in the planning and conduct of their survey to assure comparability between OPE's survey of the impact of student financial aid and any future survey of postsecondary student characteristics that NCES might conduct. Our latest information is that OPE will field this survey in the fall of 1982.

On the other hand, High School and Beyond, the longitudinal study of the class of 1980, has surveyed parents of high school seniors and sophomores to determine their plans for providing financial backing for higher education, their financial capability to do so, and their knowledge of financial assistance. Additionally, the 1982 follow-up of seniors will provide information on the actual sources of financing for students in postsecondary education.

Question: How will the information obtained assist in "redesigning Federal options and allocation formulas," as noted in your budget narrative?

Answer: By collecting data from both recipients and non-recipients of Federal financial aid, at the graduate and undergraduate level, the survey of student characteristics would permit estimates to be made of the unmet needs for financial assistance. It would also permit demographic comparisons that could be used to indicate the effectiveness of targeted aid programs and financial aid packaging at all levels of postsecondary education. In other words, the data would be useful to Departmental and Congressional policy and program analysts concerned about current and prospective student financial aid policies.

NATIONAL CENTER FOR EDUCATIONAL STATISTICS (NCES)
DISCIPLINE SURVEY

Question: What has this analysis concluded? Will a final report be submitted to Congress?

Answer: The Fiscal Year 1982 budget provides for a special analysis of discipline and order in American High Schools, which will be based upon data from the Center's National Longitudinal Study, High School and Beyond. Data from the base year (Spring 1980) have just been released with unprecedented rapidity for a study of such a size, just eight months after completion of the data collection phase. We plan to issue a final report on discipline and order which we will submit to Congress upon completion. In the interim we can now present a few highlights available from our initial compilations of the data:

- Thirty-five percent more sophomores than seniors report having been "in serious problems with the law." Whereas about 40 in 1,000 seniors responded affirmatively to this question, 54 in 1,000 sophomores did. Seniors in public schools report such serious problems about 35 percent more often than private school counterparts, whereas public school sophomores report such problems only 12 percent more often than their private school counterparts.

- Seventeen percent of male seniors and 8 percent of female seniors report having been suspended or put on probation while in school. About the same proportion of seniors report that they have had a disciplinary problem in school during the past year.

- Student absenteeism was cited as a serious problem 60 percent more often than student use of drugs or alcohol. When public school prinicipals were asked to assess the nature of their school problems 57 out of 100 rated student absenteeism as a serious or moderate problem whereas 49 out 100 rated student use of drugs or alcohol in those categories.

- While about 8 of 100 public school principals indicated that robbery, theft or vandalism were not problems in their schools 22 of 100 did see these problems as moderate to serious. The rest felt these were minor problems in their schools.

At the end of this month we plan to disseminate a summary based upon student data from High School and Beyond reporting initial findings concerning the more prominent issues addressed by the survey, including discipline and order. In addition, shortly after that we will issue an early release of additional discipline and other related findings. We will provide copies to the committee.

Question: Are comparisons being made between problems in public and non-public schools? If so, what has been found?

Answer: Yes, comparisons of public and private schools are one focus of the High School and Beyond study. On the whole, findings to date support the view that discipline problems are more severe in public than in private secondary schools. For example:

- About 4 times as many public as private school sophomores report that absenteeism occurs often (46 percent of public vs 11 percent of private school students)

- About 3 times as many public as private school sophomores states that class cutting happens often (62 percent of public vs 19 percent of private school students)

- Five percent of public school sophomores, but only 1 percent of private school sophomores report that attacks, or threats of attacks, on teachers occur often. Other, lesser forms aggression against teachers or administrators are reported with greater frequency.

- More public than private school students report that they "don't feel safe at this school." (For sophomores, 13 percent of the public school students and 8 percent of the private school students agreed with this statement, whereas for seniors, the public and private school figures are 8 and 5 percent respectively). There are technical reasons to believe that these figures underestimate the magnitude of the problem.

- Private school students rate the effectiveness of discipline at their schools substantially higher than do their counterparts at public schools. (Sixty-seven percent of private school seniors but only 42 percent of public school seniors gave ratings of "good" or "excellent" to their schools on this point). Private schools also have the edge in "fairness of discipline". (Forty-seven percent of private school students vs. 26 percent of public school students rated their schools "good" or "excellent" on fairness of discipline).

Question: Is this information to be made available to State and local education agencies?

Answer: We plan to send announcements of the reports' availability to all State and local agencies. Each school that participated in the survey will receive a summary of information provided by its own students. This summary will be presented in such a way that identification of individual students is precluded.

Question: Are your resources sufficient to conduct an adequate analysis of these problems? If not, what are your funding needs which will enable you to conduct a thorough and conclusive analysis of discipline problems in the schools?

Answer: The budget request does not contain provisions for such an analysis. Modifications to the High School and Beyond Study, requiring an additional $400,000 can be carried out in time to affect the data collection scheduled for students who will be High School Seniors in Spring 1982 and the subsequent analyses. This is not a comprehensive study of the problem since only senior students will be reached in addition to teachers and administrators. A comprehensive study may not be necessary since many aspects of discipline and order problems can be addressed with existent data. It would be appropriate to consider providing additional funds in Fiscal Year 1982 to plan and develop a coordinated Education Department program in concern with the States to identify and implement solution to discipline and order problems that have already been demonstrated to work.

RELOCATION OF THE OFFICE

Question: NCES recently relocated its offices from the main Education building in Washington, D.C. to a building in a Maryland suburb. What were the reasons for moving NCES from the major Education office building to a location nine miles away?

Answer: NCES was moved from its downtown Washington location to the Presidential Building at Prince George's Plaza in May of 1980 for the following reasons:

-- All of the space occupied by the Department of Education in South West Washington was fully utilized.

-- There was a space need of approximately 30,000 square feet to house the Secretary and Assistant Secretaries for the new Department of Education. NCES occupied approximately this amount of space in FOB-6

-- A request for space in the South West Washington area was sent to GSA. NCES received a response that the only available space at that time was at Prince George's Plaza.

Question: What was the cost of the move?

Answer: The cost of the move was $28,050. This figure includes approximately $17,550 for actual moving costs, $10,000 for telephone installation, and $500 for ADP equipment installation.

Question: What are the ongoing costs of maintaining shuttle and messenger services to and from Washington, D.C.?

Answer: The cost of this shuttle service is approximately $27,980 per year.

Question: Is this truly more efficient?

Answer: No. It is not more efficient to have NCES located at Prince George's Plaza. The Education Department housing plan, when implemented, will consolidate, in South West Washington, NCES and other scattered units.

Question: Are there any on-site computer facilities for NCES at its new location in Prince George's Plaza? If not, what extra expenses are involved in undertaking statistical computations by long distance?

Answer: NCES has on-site computer communications equipment at Prince George's Plaza. This equipment was moved from the previous South West Washington location. There have been no additional computer or telecommunications expenses involved with the relocation.

FUND IMPACT BEYOND THE GRANT

Question: The Fund for the Improvement of Postsecondary Education provides seed grant money for innovative improvement in educational quality at the postsecondary level. As with any seed grant program, its success is largely determined by the extent to which local support continues a particular program once Federal funding has ended.

The indication in your budget that approximately 70 percent of Fund projects have been continued after support ended is impressive, compared with average seed grant continuations of 5-15 percent. What criteria do you use in determining whether a program has been continued after Federal funds have been stopped? Must the program be identical to the ones supported by the Federal government and at the same level?

Answer: The finding that 70 percent of Fund projects continue after termination of a Fund seed grant (compared to rates of 5-15 percent in educational seed grant programs analyzed by the Rand Corporation) was made by the NTS Research Corporation in a DHEW-sponsored evaluation of the Fund.

In testimony to the House Subcommittee on Postsecondary Education on July 13, 1979, Sol Pelavin, principal investigator for NTS, stated:

"We defined a project to be institutionalized if the project meets all three of the following criteria:

- It continues to exist after the Fund's support has ended;
- its activities or services are not substantially reduced; and
- the project is optimistic about its prospects for long-term (five or more years) survival.

"We estimated that 70 percent of the 271 projects which had continuation potential met all three criteria; thus we estimated that 70 percent of the projects that attempted to become institutionalized actually succeeded. This percentage is particularly remarkable in light of the results of Rand's recently completed study of Federal Programs Supporting Change. The Rand study estimates 'that between 5 and 15 percent of our [Rand's] sample of change agent projects had been fully institutionalized ... approximately two years after the end of Federal funding.' Although Rand's sample included only projects at the elementary and secondary level, and some of the Fund's projects had their Federal support terminated less than two years ago, the comparison of institutionalization rates is still striking. (For the projects that have been completed for at least two years, we estimate that 50 percent have successfully become institutionalized. While this estimate is slightly lower than that for all completed projects it is still substantially higher than the Rand estimate.)

"In addition to a substantial number of projects continuing to operate, our data indicate that the impacts of these projects may actually increase over time. Of those projects still in existence following the end of Federal support, over half have expanded their services and now serve more students. Moreover, 41 percent of institutionalized projects have increased their funding level. It should be noted that the increased funding level has occured without the use of Federal funds; FIPSE's support was almost never replaced with funds from another Federal agency. Rather, the new support came from the host institutions, client fees or tuition, State or local funds, or foundation grants."

About 85 percent of Fund projects have the intention of continuing after the grant. Examples of projects specifically designed to accomplish a discrete task and then to terminate are ETS's "Evaluation of Academically Creditable Competencies Acquired by Women in Domestic and Volunteer Work" and Harvard University's project, "Value Added: Measuring the Outcomes of Undergraduate Education." ETS's project has developed a manual entitled How to Get College Credit for What You Have Learned as a Homemaker and Volunteer. Although the manual is still available through ETS, the project's activities are completed. Harvard's project succeeded in developing measures of the actual impact of its undergraduate college curriculum on its students. Although the measures themselves are still being used, all project activities have been completed.

Question: To what extent are Fund-supported projects not only continued but adopted successfully by other institutions or groups?

Answer: The NTS Research Corporation evaluation found that approximately 70 percent of Fund projects had influence beyond the operations of the host institution. Project directors reported a median of 6 adaptation attempts each. (The average number of adaptation attempts per project was 40, because some projects influenced hundreds of institutions nationally.) As Sol Pelavin, director of the evaluation, testified in 1979:

"Information about the Fund's projects has been widely disseminated. The Fund itself distributes information about its current projects in its annual publication Resources for Change. Three thousand copies of the Fund's 1979 edition were printed and distributed. However, the primary source of information about the Fund's projects are the projects themselves. Eighty-seven percent of the projects have disseminated some type of information about their activities. The most frequently disseminated information concerns projects' accomplishments or impacts; 78 percent of the projects have distributed this information in response to over 279,000 requests from institutions of postsecondary education."

NTS also found that most of this activity was paid for by the host, not by the grant.

Another indirect impact of the Fund is on applicants whose proposals are rejected. In a typical year the Fund receives about 2000 proposals and awards only 100 grants. NTS found that 74 percent of the rejected applicants felt that getting the proposal together and submitting it was, in itself, beneficial; 64 percent of them were mobilized to try their idea without a grant. The Fund only gives grants for proposals that are significant, feasible, and which must have external support to get started. NTS's evaluation also verified that the overwhelming majority of projects selected for funding needed the Fund's money and prestige (and not just the process of writing the proposal) to succeed.

So each year the Fund aids learning through: 1) its current projects; 2) the thousands of institutions influenced by current projects and by past projects still operating; and 3) over a thousand institutions that, along with their students, benefit from the applications process. It is worth noting that these far-reaching impacts were achieved during an era of growing Federal support for access through student aid. The impact of lower enrollments, of possible employment expansion and possible increased demand for education by employed people are all unpredictable.

THE FEDERAL ROLE

Question: Why should this program continue to be a Federal responsibility.

Answer: The Fund's cost-effectiveness, documented by the NTS Research Corporation evaluation (see above), is a result of the fact that this is a Federal program: 1) grants are awarded for projects that have both local and national significance; 2) duplication can therefore be reduced, since institutions in all States adapt successful projects without further government support, as NTS showed; 3) the national competition makes the awards more valuable (NTS documented how the grants' visibility and prestige gave projects contacts and legitimacy, increasing their ability to succeed and to help other insitutions nationally); 4) some projects directly benefit many States (if each State controlled its own funds, such awards would be unlikely); 5) the Fund's comprehensiveness and flexibility allow it to deal with national needs that aren't met by other government programs.

THE 1981 SUPPLEMENTAL

Question: What is the status of the proposed Carter Administration request for a 1981 supplemental appropriation of $3.5 million for the Fund?

Answer: The Reagan Administration does not include this supplemental in its budget request.

NATIONAL PRODUCTIVITY

Question: You have talked about the Fund's role in improving national productivity. Could you tell us more about this?

Answer: Increasing productivity means getting more output from a unit of input. Fund projects have enabled increases in labor productivity through improved education, enabling people to make better use of their talents, and through improvements in the productivity of postsecondary institutions.

A variety of projects have improved education for work, including efforts that aid entry into the workforce and that provide new learning for people already working fulltime; efforts by colleges, by employers, and by unions, working together. Some exemplary projects for full-time workers include:

- Working managers can enroll in a new kind of Master's program that is designed around competencies proven critical for managerial success. The program, offered by the American

Management Association, is quite different from the typical M.B.A. program, and promises to be more effective.

- The New England Regional Joint Board of the Amalgamated Clothing and Textile Workers Union is providing specific educational programs that help its members gain skills and understanding regarding new machinery, new personnel methods, and changing corporate structures.

- The New York Police Department's efficiency is being enhanced by a new kind of writing improvement program that involves both focused coursework for officers and organizational changes; the model may have significant impact on a variety of organizations and on continuing education for many types of professionals.

The productivity of postsecondary education has also been improved through Fund-supported efforts, as the following three examples illustrate:

- Computer-assisted instruction has improved learning while reducing the faculty time required for instruction; Fund projects have developed better computer instruction and made it easier to use successful programs on different types of computers.

- Waste and duplication of services have been reduced, and the costs of education for adults have been brought more within reach, by programs that award credit for what adults have learned on the job.

- Administrative efficiencies have been gained through management training for academic department heads, improved institutional planning, altered fee structures, and new methods for scheduling classes.

EDUCATIONAL OPPORTUNITIES FOR RURAL ADULTS

Question: What projects has the Fund supported in the area of improving access to educational opportunites for rural adults?

Answer: The Fund's commitment to rural access for adults has been major since the agency was founded, starting with one of the largest grants in its history to help found the Community College of Vermont, a non-campus, open access, community-oriented institution. From a central headquarters and three regional sites, the Community College contacts interested individuals, arranges learning contracts between those individuals and interested "community faculty members", and monitors progress toward competency-based educational objectives.

In 1980-81, the Fund supported 18 new and continuing projects in this area, at a total of $1,025,322.

Eastern Montana College is expanding telecommunications services that enable it to serve rural residents, including students on Indian reservations.

Kansas State University is helping small communities in Oklahoma, Missouri, Kentucky and South Dakota develop their own rural self-help educational programs.

Kirkwood Community College is developing interactive video education. Using the grant, staff are developing equipment packages and simulations so that students can do appropriate science lab work in their homes.

Eastern Oregon State College is developing a ten-county service for rurally isolated adults. A network of participating colleges, industries, and public agencies will provide cost-effective post-secondary education opportunities, through local centers and distance education.

MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM

Question: The Minority Institutions Science Improvement Program (MISIP) was established in 1972 and recently transferred to the new Department of Education from the National Science Foundation. Since its establishment in 1972, the Minority Institutions Science Improvement Program has been funded annually at the same level of $5 million. An increase of $650,000 has been proposed for fiscal 1982. Why has the program remained at level funding for nine years?

Answer: At the National Science Foundation the Minority Institutions Science Improvement Program was one of six programs within the Division of Science Education Resources Improvement in the Directorate for Science Education. Based on the funds available for the Division, each program was supported at a minimum funding level in order to carry out the priorities and objectives set forth by the Directorate.

Question: What evidence is there that this program has made a difference in improving access to science and engineering careers by minority students?

Answer: Evaluations of the Minority Institutions Science Improvement Program have found that its impact is significant. Colleges that would not otherwise have had science programs have them now because of MISIP grants. For example, Xavier University in Louisana was able to start a computer science program that now has over 100 majors. Northern New Mexico Community College offers degrees in mathematics, science, and computer science due to a MISIP grant.

An award was made in fiscal year 1973 to the Institute for Services to Education for the conduct of an impact study of the Minority Institutions Science Improvement Program. The following table lists relevant information from that study:

Impact of Minority Institutions Science Improvement Program on Minority Institutions (1973-75)

	1973	1974	1975
1. No. of science majors	3,674	5,896	7,686
2. No. of science degrees granted	667	775	719
3. No. of new courses for non-science majors	51	76	146
4. No. of new courses for science majors	172	245	481
5. No. of full time equivalent science faculty	314	537	954
6. Average science class enrollment	109	166	276

Source: An Assessment of the Impact of the MISIP Program on the Teaching of Science, Mathematics, and Social Sciences in Minority Institutions, by Charles M. Goolsby

There are numerous examples of MISIP-eligible institutions that, after receiving their first science improvement award through MISIP, have significantly improved their capacity for extending opportunities in science and engineering to their students and faculty. These institutions have received other Federal grants and private support for strengthening their science programs as well as research grants for both faculty and students. In addition, they have also enjoyed their administrations' continuing support for grant-initiated activities. For example case study data for two institutions shown in the following table (one a four-year and the other a two-year college) have documented significant growth in their science program.

Number of Science Majors at Xavier University in Louisana
(four-year institution)

Major Field	1970	1980	Percent Change
Biology	43	125	+ 290 %
Chemistry	70	162	+ 230 %
Mathematics and Computer Science	56	106	+ 189 %
Pre-Engineering	23	74	+ 321 %
Physics	3	3	No change

Enrollment by Discipline at Northern New Mexico Community College
(two-year institution)

Discipline	Fall 1979	Fall 1980	Spring 1981
Mathematics	49	442	300
Biology and Health Science	7	32	37
Chemistry	0	10	14
Physics	10	11	8
Computer Programming	0	85	82
Major Field			
Mathematics/Science	0	0	15
Computer Science	0	0	39

While the changes at these institutions may not be solely attributable to MISIP grants, these grants have been used to initiate improvements in their general science offerings.

Question: How much is going to pre-college programs?

Answer: Prior to the current fiscal year MISIP did not support any pre-college programs. Funds available (approximately $5 million) supported improvement of science education programs at minority institutions. In fiscal year 1981 it is anticipated that the amount which will support pre-college activities conducted by minority institutions will not exceed $200,000. Under President Carter's fiscal year 1982 budget request, $350,000 out of the total $650,000 increase proposed for MISIP would be used to support pre-college programs.

Question: How much is going to undergraduate-level college programs?

Answer: Since its inception in fiscal year 1972 through fiscal year 1980, MISIP funds have supported only science education programs at minority institutions. In fiscal year 1981 the program will fund undergraduate college level programs at a level of $4.5 million. Projects conducted by science-oriented organizations and scientific professional societies for predominantly minority institutions (e.g. staff development) will be supported at a maximum of $300,000.

Under President Carter's fiscal year 1982 request $300,000 of the proposed increase of $650,000 requested for MISIP would support undergraduate college level programs.

Question: How does the Minority Institutions Science Program differ from the Biomedical Sciences Program, funded at $3 million for fiscal year 1982 under the Higher Education Act?

Answer: The Biomedical Sciences program is designed to encourage and to help prepare talented secondary school students from economically disadvantaged backgrounds to pursue careers in the biomedical sciences. Grants are awarded to institutions of higher education to provide these students with the necessary academic skills and counseling to complete the training needed to pursue a career in the biomedical sciences. The program focuses on serving students at the secondary level. Each institution receiving a grant works in conjunction with the local school district, private school, or local health agency to provide 100 hours of training after school during the academic year and a six week summer program of academic instruction and enrichment.

The Minority Institutions Science Improvement Program focuses on the sciences more generally by providing institutional assistance to colleges and universities whose enrollments consist mostly of students from minority backgrounds to help these institutions effect long-range improvement in their teaching of science. Specific objectives of this program are to (1) enhance the minority institution's capability to develop and maintain quality science education programs and (2) improve access to science and engineering careers by minority students attending these schools.

Question: To what extent do these programs work in cooperation?

Answer: As of the moment there is no formal cooperative arrangement. However we do exchange information. As the Biomedical Sciences program progresses, we hope that the institutions who have benefitted from MISIP grants in the past will be able to participate in that program.

VOCATIONAL EDUCATION DATA SYSTEM

Question: What is the position of the Department of Education regarding the Vocational Education Data System (VEDS) and State laws?

Answer: The Department's position regarding the VEDS and State laws is, as stated last year to the Committee in response to Senator Hatfield's request, that we intend to work with any State that may be having difficulty because of State laws in meeting the VEDS requirements. We will try to bring them into compliance with the VEDS statute in accordance with Congressional intent, preferably on a voluntary and collegial basis.

Question: Are there any instances where State laws conflict with Federal vocational education data reporting requirements? If so, which has priority -- State laws or Federal laws in this area?

Answer: Our experience, based upon two years of data collection, indicates that there are no State laws known to us which conflict with Federal VEDS requirements. In the first year of data collection all but three States and territories were in full or substantial compliance, and none has indicated any conflict with local statutes.

Question: Please cite a specific legislative proposal you would recommend as necessary to change the VEDS authorization so that State laws would take a higher priority than the Federal statute.

Answer: Since there are no State laws known to us which are in conflict with the VEDS reporting requirements, the Department has nothing to propose at this time.

SUBCOMMITTEE RECESS

Senator RUDMAN. The committee will stand in recess until 9:30, Wednesday, March 11, when we will hold hearings on the Soldiers' and Airmen's Home, the ACTION agency, the Community Services Administration, and the Railroad Retirement Board.

Thank you very much.

[Whereupon, at 3 p.m., Thursday, March 5, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, March 11.]

[CLERK'S NOTE.—The April 2, 1981, testimony of Secretary Bell follows.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, APRIL 2, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:35 a.m., in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Harrison Schmitt (chairman) presiding.

Present: Senators Schmitt, Hatfield, Andrews, Specter, Eagleton, and Burdick.

DEPARTMENT OF EDUCATION

STATEMENT OF TERREL H. BELL, SECRETARY OF EDUCATION

ACCOMPANIED BY:

- SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR PLANNING AND BUDGET
- ALBERT L. ALFORD, ACTING ASSISTANT SECRETARY FOR LEGISLATION
- WILLIAM DINGELDEIN, ACTING DEPUTY ASSISTANT SECRETARY FOR PROGRAM PLANNING AND BUDGET ANALYSIS, OFFICE OF PLANNING AND BUDGET
- THOMAS P. SKELLY, ACTING DIRECTOR, DIVISION OF BUDGET REVIEW, OFFICE OF PLANNING AND BUDGET
- JAMES MOORE, ACTING DEPUTY ASSISTANT SECRETARY FOR STUDENT FINANCIAL ASSISTANCE, OFFICE OF POSTSECONDARY EDUCATION
- JOHN SEAL, ACTING ASSISTANT SECRETARY FOR MANAGEMENT

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The hearing will come to order.

Today we continue a series of hearings with Secretaries of the various Departments under the jurisdiction of the Labor, Health and Human Services, and Education Subcommittee.

We are happy to welcome Secretary Bell to his first appearance before this committee.

We started, Mr. Secretary, in late January in this subcommittee, with a week of economic overview hearings that were moved up and held at the full committee level, that has given the committee, I think, an excellent background on the overall economic situation that your Department faces.

We don't fully agree with the administration's assumptions, but I think we understand them.

These hearings in January provided a framework for several subsequent weeks of hearings, examining the specific programs under the jurisdiction of the subcommittee, with some difficulty, because you all weren't fully in place and programs had not been fully defined.

However, it did provide the general background under which we now are looking at more specific proposals of the Reagan administration.

After the details of the President's budget proposals were released, we followed with testimony from literally scores of public groups of various interests and individual opinions.

With this background, the subcommittee is now, I believe, in a good position to evaluate the President's budget revisions with testimony taken directly from the Cabinet secretaries, who have been deeply involved in the decisionmaking process leading up to those proposals.

We plan to cover not just the fiscal year 1982 budget request, but fiscal 1981 supplementals, rescissions, and deferrals as well.

In many cases, the latter items must precede the major long-range changes being proposed, and we hope will be consistent with the actions of the Congress.

Mr. Secretary, if you would like to introduce the people who are accompanying you, we would appreciate it for our record. And I am sure that you will rely on them as necessary in your presentation and answers to questions.

INTRODUCTION OF ASSOCIATES

Secretary BELL. Thank you, Mr. Chairman.

We are pleased to be before you this morning.

On my left is Sally Christensen, who is Acting Assistant Secretary for Planning and Budget. I think Sally has been before you before.

John Seal, who is Acting Assistant Secretary for Management in the Department is also here. John works with and is knowledgeable about our salaries and expense budget.

Thomas Skelly is Acting Director of the Division of the Budget Review in our office.

On my right is William Dingeldein, who is Acting Deputy Assistant Secretary for Program Planning and Budget.

James Moore, who is Acting Deputy Assistant Secretary for Student Financial Aid in our higher education unit.

And Al Alford, who is Acting Assistant Secretary for Legislation.

We are pleased to be before you——

Senator SCHMITT. Mr. Secretary, if I may interrupt, I would like to give the Senator from Pennsylvania an opportunity to make a statement before we proceed.

Senator SPECTER. Thank you very much, Mr. Chairman.

I choose not to make a statement.

Senator SCHMITT. Fine.

Please proceed.

Secretary BELL. We are pleased to be before you this morning. I will present to you a very abbreviated statement. And with your permission, I'll submit for the record a longer statement.

PREPARED STATEMENT

Senator SCHMITT. The statement will be included in the record, without objection.

[The statement follows:]

STATEMENT OF TERRELL H. BELL

I am pleased to be here today to present the President's revised budget for the Department of Education. Our proposed education budget reflects two major themes: it responds to the President's program to achieve a full and vigorous recovery of our Nation's economy; and it focuses scarce resources on our neediest populations.

We are requesting from your Committee today a total of $12.3 billion for 1982, which would approximately level fund our 1981 revised estimate of $12.5 billion--with a net reduction of less than two percent, or just $244 million. In both years, we would maintain about the same share for the major areas of education-- 40 percent for elementary and secondary education, 49 percent for postsecondary education, and 11 percent for research, training, and other activities.

As you know, the rehabilitation services programs will become part of the Health and Human Services Block Grants in 1982, so we have excluded these from our 1981 totals for comparison purposes.

Overview on Education Budget

Before discussing the detailed highlights of our proposals, I would like to give you a quick overview of our total budget. Like all government agencies, under the President's Economic Recovery Plan, the Department of Education is reducing its expenditures in order to decrease inflationary pressures. As the President has pointed out, the only way to achieve a full and vigorous recovery of our Nation's economy is to cut back on excessive growth in government spending. Particularly in education, where the Federal government provides such a relatively small share of the total funds, double-digit inflation hurts students, teachers, and parents much more than the reductions in Federal aid which we are proposing to you today.

We understand, of course, that these cuts will not be painless or accomplished without some reduced services. Thus, at the same time that we are cutting back on spending, we have to provide a safety net for the poor and disadvantaged. I believe that our proposals continue to provide funding for the truly needy, and that they also take account of the target populations who are currently receiving benefits from Federal operating programs in this school year.

1981 Rescissions

For 1981, the net reduction from the continuing resolution level of $13.7 billion is $1.2 billion, or nine percent. That net figure includes rescissions of $1.9 billion and supplemental requests of $669 million. I will discuss the supplementals for Pell Grants, along with the savings proposals in Guaranteed Student Loans, a little later. Let me spend a few minutes on the rescissions.

As a general rule, we cut most of the advance or forward funded programs in elementary and secondary education since they impact on school year 1981-82 rather than the current school year. For example, all of the programs which will become part of the block grants in 1982 are reduced by 25 percent, from roughly $5.4 billion to $4.1 billion. Likewise, vocational and bilingual education programs, which are excluded from the block grants, are reduced by 25 percent. Bilingual education is reduced from $180 million to $135 million, and vocational education is cut from $779 million to $584 million. At the same time, we have not reduced those programs which are providing services during the current year, such as Rehabilitation Services Basic Grants, Public Library Services, and Impact Aid.

I would like to explain some of the impact of the rescissions in three of the large formula grant programs--Title I, handicapped State grants, and vocational education. In Title I basic grants, a revised level of $2.2 billion is 25 percent less than the continuing resolution for 1981 of $2.8 billion and 19 percent less than the 1980 appropriation of $2.6 billion. The reduction in Title I could mean that 1.3 million students would not receive services in school year 1981-82 if the average per pupil expenditure of $536 were held constant. On the other hand, localities could decide to spend less per student and continue to provide the same--if less expensive--services to the same number of children. For example, computer assisted instruction might be curtailed, class size could be increased, or teacher aides could be terminated without cutting basic compensatory services to students or firing teachers.

Again, the reduction in handicapped State grants does not necessarily mean that the number of students served or teachers will be reduced--primarily because the Federal share is relatively small. In fact, the Federal percentage would be decreased from 11.5 to 8.5. The 25 percent reduction from the 1981 level of $922 million and the 20 percent reduction from the $874 million available in 1980 will decrease the average Federal share of the costs of educating handicapped children from $239 to $180. But we assume that the same number of children--about 3.9 million--will continue to receive an education, even if it is less expensive.

In vocational education, the 25 percent reduction in Federal funding in 1981 should have a negligible impact on total vocational education spending because States and localities provide in excess of $10 for every Federal dollar. In fact, the proposed rescission would have the effect of reducing the Federal contribution from $11 to $9 per student for each of the 3.7 million students.

As I mentioned earlier, we have attempted to protect those programs which are funding the current school year, such as Impact Aid, Rehabilitation State grants, and Public Library Services. In Impact Aid, for example, in order to provide some relief to local school districts, we are proposing a rescission of only $67 million which will limit the percentage of payments for "A" and "B" children to 90 percent of that allowed by the continuing resolution. At 90 percent, we would still make payments for the current school year to almost 3,900 school districts, many of which benefit in other ways from the presence of Federal employees and activities. I should point out that the Carter budget rescission would have been $148 million and provided only 75 percent of the 1980 level.

Student Aid Reforms

The budget includes reforms of the two major student aid programs that affect both 1981 and 1982. These are the Guaranteed Student Loans and Pell Grants.

In student aid, we have three goals: to continue help for truly needy students, to re-emphasize the role of the family and the student in contributing to college expenses, and to regain control of Federal spending. In Guaranteed Student Loans, we are making a determined effort to control the explosive growth in the Federal costs of the program since the 1978 Middle Income Student Assistance Act and the 1979 Congressional removal of the five percent cap on special allowance rates. Only several years ago, most of the

Federal costs were the result of highly publicized defaults. For example, in 1977 the appropriation of $357 million included $185 million for default payments, or 52 percent of the appropriation. Today, after years of concerted effort, the default rate on loans is down to 5.9 percent after considering collection receipts. In contrast to 1977, defaults will account for $240 million in 1981, but that is down about 12 percent of the estimated appropriation for GSL costs. The total costs--now mostly from in-school interest subsidies and special allowance payments to lenders--have skyrocketed to almost $2 billion under the current law. And this figure is uncontrollable: whatever figure is needed is authorized by law in advance of any appropriation act. Students and parents are entitled by the current law to the subsidized loans--and this, in turn, means that lenders will receive special allowances based on the Treasury bill rate--regardless of their income.

While we are continuing to push collection efforts to reduce default costs, we clearly must address the growing Federal subsidies and the special allowances if we are to control total GSL costs. (We think we are doing much better on default costs and collections. As you know, the budget proposes to contract with the private sector for a major collection effort on defaults.) We believe our GSL proposal can curtail the subsidy and special allowance costs while continuing the basic purpose of the program, which is to provide low-cost loans to students who would not be able to attend college without borrowing.

Our Guaranteed Student Loan proposal has four parts:

First, the amount of the student loan will be limited to whatever is needed after deducting other aid and the expected family contribution from the student's educational costs. By restricting the loan to "remaining need," we will still provide a safety net for the needy, and many middle income students, but we will discourage excess borrowing.

Secondly, the in-school subsidy which the Federal government currently gives to lenders of student loans on behalf of the students will be eliminated. Lenders will now have the option of either (1) letting the student borrower pay back the accrued in-school interest, along with the principal, after finishing school and grace periods, or (2) requiring borrower payment of the interest as it accrues during school. Student in-school interest payments would increase the "costs of attendance" but these increased costs could be met with other need-based Federal aid, such as National Direct Student Loans and College Work-Study. Under this proposal, the advantages of a low-cost loan are still available to the student borrower, and the lender still gets a guaranteed repayment of the loan and a special allowance paid by the Federal government to bring the yield to market rates.

The third change eliminates the special allowance on the newly authorized parent loans. Parents can still borrow and, if allowed by the lenders, take up to 20 years, rather than ten, to repay, but they will have to pay whatever interest rate the lender charges rather than the current nine percent. The Federal government will still guarantee the loan.

Fourth, the new administrative allowances for institutions will be eliminated. The older administrative allowances to State guarantee agencies will be continued.

We are proposing a supplemental of $661 million for Pell (formerly Basic Educational Opportunity) Grants. Borrowing for a 1980 deficit, which you approved, accounts for $258 million of the $661 million request. The remaining $403 million is necessary to increase the maximum award from $1,235, which is the level provided by the 1981 continuing resolution, to $1,750. A maximum award level of $1,750 is the same level provided in fiscal year 1980. I should note that the $403 million supplemental is needed in fiscal year 1981 even after considering the $150 million in savings that will result from the regulatory and legislative changes we have proposed to the authorizing committees. In 1981, those changes will: (1) defer the cost-of-living allowance for family living expenses which is part of the needs analysis formula; (2) require the student to provide $750 in "self-help" through part-time or summer employment or other sources; and (3) eliminate the newly authorized administrative allowances for institutions. We have attended several hearings before the House authorizing committee to discuss these changes.

I should point out that the 1982 request for Pell Grants is $2.5 billion which is $334 million less than the revised 1981 level including the deficit. It is also $888 million less than the $3.4 billion which would be required under current law. In the guaranteed loan programs, our proposals would limit Federal costs to $1.85 billion in 1981 and $1.77 billion in 1982. The apparent slight decrease is misleading, however, because the 1982 request represents a savings of $741 million from the costs of the current law of $2.5 billion.

Consolidation of Elementary and Secondary Programs

After student assistance, the largest piece of our 1982 budget is the almost $4.4 billion for the elementary and secondary consolidated grants. This represents an increase of almost $300 million, or seven percent. The long-range budget also provides for a five percent increase per year for these grants through 1986.

The proposal will consolidate about 45 individual programs into two block grants. The education block grants will support educational services to students with special needs--such as the disadvantaged and handicapped--as well as provide funds for improving education. The general purpose of the block grants is to reduce the administrative and regulatory burden of the numerous special purpose programs while increasing the flexibility of the States and localities to decide how to focus on their own particular educational needs. Because of their proximity to the students and awareness of local conditions, the States and local school districts are better able to determine how to make best use of resources than the Federal government.

Our role in education is constitutionally, historically, and financially limited. For example, the Federal government provides only about eight percent of the total national expenditures for elementary and secondary education. The block grant proposal reflects what this Administration feels is the appropriately limited role of the Federal government in education. We will award the block grant funds on a formula basis which will address the relative share of disadvantaged and handicapped students, but we will not dictate the internal distribution of those funds as long as they are used for the stated purposes of the law.

Other 1982 Increases

Several other major increases and decreases over the revised 1981 levels should be noted. The Federal bilingual education programs are increased from $135 million to $144 million in 1982, and vocational education is increased from $584 million to $623 million in 1982. These 1982 increases are consistent with the seven percent increase in block grant programs where we also provided one-time reductions in 1981 as part of the Economic Recovery Program.

The additional bilingual education funds will supplement our current efforts to help local school districts build the capacity to offer bilingual instruction to limited-English-proficient youngsters. The figures are place holders pending the development of an Administration position on the reauthorization of vocational education.

Federal capital contributions for the National Direct Student Loan (NDSL) program are increased from $186 million in 1981 to $286 million in 1982. The NDSL program, along with Supplemental Educational Opportunity Grants and College Work-Study, supplements the Pell Grant and Guaranteed Loan programs by providing need-based assistance to students through their campus financial aid offices. The NDSL interest rate is four percent and students do not have to repay the loans to the institutions, who have their own revolving funds, until they have finished school and some grace periods.

An increase of $9.6 million, from $120 million in 1981 to $129.6 million in 1982, is provided for the Title III Developing Institutions program. The increase would be used for the recently authorized challenge grants which stimulate non-Federal support and concomitant concern for efficient management by requiring the colleges, whose enrollments are predominantly black and minority students, to provide a matching contribution from their own funds.

1982 Decreases

Our major decrease from 1981 is for School Assistance in Federally Affected Areas, where we are trying to limit Federal aid to those districts which are adversely affected. Many of the almost 3,900 districts which receive Impact Aid actually benefit from the presence of Federal installations and employees. They raise local employment, generate sales and sales tax revenue, and add to the stability of the local economy.

Here, as in other programs, we will continue funding for those in greatest need. In 1982, we will not fund any "B" children and will limit payments for "A" children to those districts where "A" children comprise 20 percent or more of the enrollment. As you know, "A" children are those whose parents live and work on Federal property; "B" children are those whose parents either live or work on Federal property but not both. Approximately 3,500 school districts will receive less Federal money in 1982 because of the reduction. Most of these districts currently receive relatively small payments--less than five percent of their budget--and the bulk of the 3,500 are eliminated because of the dropping of the "B" payments which we do not believe are justified under the best of circumstances. For a small number of districts, our cuts may cause some hardship, but we believe that a sacrifice of Impact Aid funding is better than a reduction in other programs that are more likely to result in services for needy students.

Another major savings in 1982--$407 million--results from a continuation of our reforms and changes in Pell Grants and Guaranteed Student Loans which we will begin in fiscal year 1981.

Finally, a decrease of $13 million--from $74 million to $61 million--for the National Institute of Education, the educational research and development component of the Department, reflects the Administration's general policy to reduce research in the social sciences given present budgetary constraints.

My colleagues and I are prepared to respond to your questions.

SUMMARY OF BUDGET REVISIONS

Secretary BELL. Our proposed budget is based on two major themes.

First, it responds to the President's economic recovery program.

And second, it focuses our scarce resources on what we believe to be the neediest population groups in education.

Our 1982 request that is before you has a total of $12.3 billion that will essentially maintain level funding at our revised 1982 estimate of $12.5 billion.

So there is less than a 2-percent decrease there, which is just around $240 million.

As part of the President's economic recovery plan, we are asking for a net decrease of $1.2 billion in 1981 from the continuing resolution level of $13.8 billion.

This includes gross rescissions of $1.9 billion, but is offset by $669 million in supplementals, that I believe is also before the subcommittee.

We would maintain the same share of Federal funds in both 1981 and 1982 in the major areas of education. This breaks down to where about 40 percent of our budget is spent on elementary and secondary education, 49 percent is spent on postsecondary education—as you know, most of that is in student financial aid—and the remaining 11 percent is spent on research and training and other miscellaneous activities.

I would like to make three major points, Mr. Chairman, that we want to emphasize constantly as we go through the details or our budget request.

First, I would point out the excessive growth in the Federal Government and the necessity for curtailing that if we are going to recover from the problems of inflation that we have had. I would emphasize that double-digit inflation hurts students, teachers, and parents more, we think, than reductions in Federal education funding because, obviously, inflation eats away at the purchasing power of all of the funds and not just those coming from the Federal Treasury and going out into the realm of education.

Mr. Chairman, in the elementary and secondary education area, the Federal Government contributes—as an average across the Nation—only 8 percent of the total national expenditures. The States, localities, private institutions, and individuals contribute the other 92 percent.

And, of course, it needs to be emphasized, that inflation erodes the full value of the 100 percent. So even a modest 2-percent reduction in inflation, we think, will increase the value of these non-Federal sources by about $2 billion per year. And that is more than the $1.7 billion in 1981 decreases that we are seeking in elementary and secondary education programs.

I might just depart from my prepared testimony to point out that there are about $107 billion spent in elementary and secondary education nationally. So it's the application of that 2-percent factor—assuming that we could be successful in reducing inflation by 2 percent with the President's economic recovery program—that would bring about this result that we are emphasizing.

STUDENT AID COST SAVINGS REFORMS

Second, we are proposing significant cost-savings reforms in two of the six large, Federal student aid programs. We emphasize that these reforms won't decrease assistance to truly needy students. And we have testified extensively on this before the House Subcommittee on Higher Education.

These changes, most of which require amendments to authorizing legislation, will control the Federal cost for what is now, we think, an uncontrollable entitlement program, where any student and his parents, regardless of income, can borrow federally subsidized low-interest loans.

The change will also restore the role of the family and the student in paying for college expenses, and we think that is quite important.

BLOCK GRANTS

Third, we are cutting administrative costs and regulatory burden and increasing the flexibility of States and local school districts in the use of Federal funds by consolidating almost 50 individual programs into block grants.

At present, even though the purposes and services of these 50 programs often overlap, each of the programs has its own set of complicated rules and regulations. And I just might point out parenthetically that, as we examine the block-grant program consolidation situation, we need to keep in mind that there are 50 separate State education systems with their own categorical aid programs, their own finance formulas and provisions, plus provisions on the local level for tax levies, some of them even for categorical purposes.

So, considering all of this, we think the block grants will simplify and clarify the limited role of the Federal Government in education and will enable States and localities to make better use of both their funds and the relatively small amount that comes from Washington.

We would emphasize that we don't have a monopoly on wisdom about education or the needs of disadvantaged students. We don't think that we need to be dictating quite so many uniform programs that are rational in the abstract from our perspective here in Washington but which may not make sense in the school districts and the individual schools because of the differences in funding characteristics in different areas.

And so, Mr. Chairman, that's a brief summary of our thinking. I know it's a very broad overview, and there's a lot of detail that I am sure you will want to go over. But that's a brief summary of our budget request.

I need to close by acknowledging that some of these reductions are going to be a bit painful, but I think education needs to bear its share in the reduction of inflationary spending.

I also believe our budget has certain provisions in it that will take care of the needy, and that we can continue to play a small, but hopefully significant, role in helping the American education system to continue to be the strongest and the best in the world, which we really think it is.

We are pleased to be here, as I said at the outset. My colleagues and I will be happy to respond to questions.

Senator SCHMITT. Thank you, Mr. Secretary.

The committee will follow a 5-minute rule on questioning. We don't have a timer, so I'll ask the staff to watch and just remind each of us when our 5 minutes is approximately up.

PROBLEMS IN PUBLIC SCHOOLS

Mr. Secretary, according to a recent Gallup poll dealing with school problems, the five major problems confronting the public schools that were cited by respondents to that poll are lack of discipline, use of illegal drugs, poor curriculum standards, lack of proper financial support, integration or busing.

I presume use of illegal drugs would include the alcohol problem, which is getting so very serious.

What do you see in the proposals you have made, both for fiscal years 1981 and 1982, that deal with these problems that loom so large in the eye of the public?

Secretary BELL. We feel, Mr. Chairman, that the Federal role is quite limited, that we ought to be targeting our Federal resources on problems in American education that are nationwide in scope, like the learning difficulties of the disadvantaged and handicapped children and access to higher education.

Although we certainly shouldn't be ignoring the problems that you mentioned, the major responsibility for addressing those problems is with the local and State officials, where responsibility and the general control and supervision of education rests.

I would emphasize that I don't have any disagreement with the Gallup survey that identifies these problems in education. And as one who has had some considerable experience, both on the local and the State levels, I know that we do have some very serious problems in education. And the points that you quoted from the poll certainly target on them.

I emphasized, in an address to the school superintendents in their annual convention in Atlanta last month, that we need to be stressing, more than we are, standards of excellence in education.

It's my feeling that boards of education and school superintendents need to set standards for promotion and for graduation, and that once we do that and are quite firm in our commitment to it, I think the fine youth of this country will come up to that standard.

I really think we need more discipline in American education. And I don't use that term "discipline" to talk just about behavior control, although that is also a problem, particularly in our secondary schools.

I think if we construe the word "discipline" in a broader sense, to apply to adherence to standards and to affirm commitments to mastery of fields of education, which in academe we refer to as disciplines, that we could do a great deal to upgrade the quality of our schools and solve a large number of problems that we have.

Senator SCHMITT. Mr. Secretary, where in the administration's proposals are those issues addressed?

I understand that you're trying to preserve the assistance to the needy and those who cannot help themselves, at both ends of the school spectrum.

Secretary BELL. Sure.

ROLE OF DEPARTMENT IN SETTING STANDARDS

Senator SCHMITT. You talked about the discipline in the academic field standards. Do you see your Department as contributing to and assisting local boards in the development of these standards?

Secretary BELL. We think we should be helpful. We think our role should not move us into taking the major responsibility for setting standards. NIE has done a number of studies in a number of areas that indicates what constitutes excellence in education and how they can help schools to become more effective. But I should emphasize that the prime responsibility, as I am sure you know, Mr. Chairman, is with the local school board and with the State education agencies.

The funding that we provide is targeted on those populations that have shown deficiencies that are quite pervasive across the country.

Senator SCHMITT. Are you saying there are deficiencies that are beyond the control of the local board because these other deficiencies are also present?

Secretary BELL. I wouldn't want to claim that they are beyond the control of the local board, nor would I want to allege that they are fully within the purview of the local board, because we know of the importance of the home and the community in education. But it is my feeling that the prime responsibility is there, and I think if local school boards would set no-nonense standards and let it be known that you have to come up to this level to merit a promotion, that we would make some large strides in moving forward.

Policymaking is the responsibility of that elected local school board, and I have felt for a long time that the local school board and the superintendent ought to have stronger standards than they have.

I watched with some interest, and maybe you did, too, the problems here in the District of Columbia with their schools and the struggle that a school superintendent had when he started advocating and fighting for adherence to those standards, and the outcry from parents when a number of youngsters began to find out that they weren't going to graduate and they weren't going to receive automatic promotions, and the reaction there and the stress that went on.

I think we have just moved to a point where young people think they are going to graduate automatically and they are going to be promoted automatically from one grade level to the other.

Senator SCHMITT. Mr. Secretary, I hate to interrupt, what we are trying to determine is how your budget assists the Nation as a whole, to reach those kinds of goals.

Secretary BELL. Yes; and the response I am trying to make, Mr. Chairman, is that largely that's not our responsibility. Our responsibility is a supplementing responsibility to target resources on the minority of these children and make those funds available for the local school districts' discretion to solve the problem. Often we cause the problem because we send the money to them tied up in such a milieu of restrictions that they are not able to utilize their funds and harmonize them with their State and local resources.

Our block-grant proposal will give the local school district more discretion and more authority to be responsive in that regard.

ADMINISTRATIVE SAVINGS UNDER BLOCK GRANTS

Senator SCHMITT. In that regard, and then I will yield to Senator Specter, school districts seem to be anticipating the block-grant cuts which are based on a theoretical belief, that there will be greater efficiency if the local system and State system can manage the funds that are available to them, rather than having the Federal Government manage them. I have heard in New Mexico, that some schools are cutting teachers out of their budgets rather than cutting the administrative overhead, which we assumed would be the first to go. Do you have any comments on that?

Secretary BELL. I think that would be a very unfortunate response to the decrease in Federal moneys. To cut back on instruction and leave the administrative structure there is not going to be helpful.

Senator SCHMITT. Should we take some steps to insure that that doesn't happen?

Secretary BELL. If we did it, we would have to have more control than we now have over the local and State authorities, which would be something that I wouldn't favor. If we are going to make State and local government work, certainly those that make those decisions need to be responsive. Certainly the local school board must be responsive to the electorate, and someone on that level ought to be ferreting out administrative overhead and cutting back in response to this.

Senator SCHMITT. Senator Specter?

Senator SPECTER. Thank you, Mr. Chairman.

Secretary Bell, I have had contacts by numerous people in the education field complaining about the new budget, as I know you have.

Secretary BELL. Yes.

EFFECT OF PROPOSED REDUCTIONS

Senator SPECTER. I have had delegations from Pittsburgh and Philadelphia and many other groups say the cuts just can't be absorbed. Are you in a position to say what the cut would be, for example, on a city like Pittsburgh in terms of reduction of Federal funds?

Secretary BELL. I have some information here that might be helpful. I don't know if Philadelphia or Pittsburgh are in the group. But I asked for information to be provided for me in preparation for these hearings, Senator, that listed the large city school systems, because that's where we have the high concentrations of poverty. And let me just take a moment and see what figures I have for those cities.

Philadelphia, for example, would lose in 1981 $10,163,000 in their title I Federal moneys.

Senator SPECTER. How much did Philadelphia receive last year?

Secretary BELL. That is out of a total of $39,081,000 under the continuing resolution for 1981. I don't see Pittsburgh on the list, and so apparently they don't have such a high proportion of Federal funds in their budget. I am sure that they would tell you, Senator, that these moneys are still significant to them. But Philadelphia would move from $39 million down to $28 million.

Senator SPECTER. That's more than a 25-percent reduction, which is a much larger proportionate reduction than the overall reduction in the funding for your Department, isn't it, Mr. Secretary?

Secretary BELL. Yes; it is, Senator.

Senator SPECTER. Why does so much fall on a city like Philadelphia?

Secretary BELL. It's the way the formula works. And Philadelphia is getting 18 percent of its total budget out of Federal money where the national average is 8 percent. And so, as you cut that back, of course, it hits them a bit more heavily.

Sally Christensen here is pointing out to me that this still is a 25-percent cut, but it isn't a 25-percent cut of an 8-percent part of the budget.

You see, nationwide, if we are providing 8 percent of the local school district's budget and we cut back 25 percent of our funds, we are cutting them 2 percent of their total budget. But where Philadelphia's total budget of Federal funds is 18 percent of the total, and we take one-fourth of that out, you see we are hitting them more heavily. We are not cutting them any more than 25 percent of their Federal moneys, but since their Federal moneys, Senator Specter, are a higher percentge than the national average——

Senator SPECTER. But you are not cutting 25 percent of the national average, are you?

Secretary BELL. We are reducing by 25 percent the two large programs—title I and the education for the handicapped program.

OVERALL DEPARTMENT REDUCTION

Senator SPECTER. What is the overall percentage reduction on your Department's budget?

Secretary BELL. It would be about 22 or 23 percent. But in these two specific programs that target in school districts like Philadelphia and Pittsburgh, the percentage with respect to Philadelphia especially is no higher than the 25 percent, but they rely more heavily than most of the school districts do on Federal aid for their funding.

Senator SPECTER. When you say you're having a 23-percent reduction in your budget, what was the figure for last year compared to that of this year?

Secretary BELL. Sally, could you respond to that?

Ms. CHRISTENSEN. The total in the continuing resolution this year is $13.8 billion. We are reducing that to $12.6 billion, and that represents a 9-percent decrease overall. Within the elementary and secondary education programs we have a 25-percent decrease.

Senator SPECTER. My question is what is the overall reduction in the budget from fiscal years 1981 to 1982?

Ms. CHRISTENSEN. From fiscal years 1981 to 1982 we have a 2-percent reduction, from $12.6 to $12.4 billion, about $247 million.

Senator SPECTER. If you are talking about 9 percent and 2 percent you are talking about an 11-percent reduction, not a 23-percent reduction.

Secretary BELL. It's the big reduction in the first year that I'm sure Sally is not trying to obscure; but it's that reduction that I am referring to when I gave you the numbers on Philadelphia.

Senator SPECTER. That's a 9-percent reduction.

Ms. CHRISTENSEN. Mr. Specter, the 23 percent is from the Carter budget. If you compare it to the continuing resolution it's 9 percent from the continuing resolution to the revised 1981, and from the revised 1981 to 1982 Reagan totals, it's a minus 2 percent. But if you compare it to Carter you have higher reductions.

Senator SPECTER. But Philadelphia illustratively hasn't had any money from Carter budget. That's a proposed budget. Philadelphia got $39 million on the fiscal year 1981 budget, correct?

Secretary BELL. On the continuing resolution, that's right, sir.

Senator SPECTER. So that when you have better than a 25-percent cut for Philadelphia that's in the context of at most an 11-percent reduction in your overall Department budget.

Secretary BELL. Well, our overall Department budget reductions include the student financial aid, which is the biggest part of our budget, more than the elementary and the secondary, and we need to take cognizance of those cuts. But I want to make it plain, Senator, that Philadelphia won't be reduced more than 25 percent.

Am I accurate in that, Sally?

Ms. CHRISTENSEN. Yes.

CUTS IN ELEMENTARY AND SECONDARY EDUCATION VERSUS OVERALL BUDGET CUTS

Senator SPECTER. You've already made that plain. But my question to you is why 25 percent, or why such a heavy reduction for a city like Philadelphia when you say that you are focusing on the needy? And certainly a school system like Philadelphia has the elements which fall within the definition of the needy. Why a 25-percent cut there when your overall budget cut is at 11 percent?

Secretary BELL. Well, I think if we can get an understanding of the numbers—Sally, do you concede that the overall budget reduction is 11 percent? We've been talking about 23 percent. Let's see where our misunderstanding is so we have an understanding of the facts.

Ms. CHRISTENSEN. Yes; the 23 percent is from the Carter budget.

Senator SPECTER. I understand the 23 percent is from the Carter budget, but Philadelphia was never funded on the Carter budget for 1982. Philadelphia was funded on the budget for 1981.

Ms. CHRISTENSEN. Within the 1981 budget we have a proposed overall reduction of 9 percent for the Department from the continuing resolution level. Within that we have a 25-percent reduction for elementary and secondary education programs.

REDUCTIONS WITHIN EDUCATIONAL SECTORS

Senator SPECTER. And my question is why so much?

Ms. CHRISTENSEN. Right; the answer to that is the figures for the higher education portion of that do not reflect the whole story. If you look at the current law under higher education you would come out with a figure much, much higher than that. We really have savings in higher education—I'll ask Bill Dingeldein to speak to that in a minute—that really show the comparative story between higher education and elementary and secondary education.

I would say one other thing. The cuts that we are taking in elementary and secondary education are for the next school year. They do not affect the current school year. We held harmless all programs that are supporting the current year, such as rehabilitation services, basic grants, library services, and even reduced the Carter proposed rescission for impact aid. We are cutting only for 1 year those elementary and secondary programs. We are doing it for a school year that starts in fiscal year 1981, September 1981, to give the school districts time to do some planning. And we've tried to apply the cuts where they would not necessarily affect the number of children, but they could cut back on the number of teacher aides.

Bill, would you like to expand a little bit on the higher education savings, because there's quite a savings there.

HIGHER EDUCATION BUDGET REDUCTIONS

Senator SPECTER. What is the relevance of the higher education issue when my question goes to why the more dramatic cut on elementary and secondary education at a more than 25-percent level when the budget cut for the Department overall is in the 11-percent range?

Ms. CHRISTENSEN. It's the higher education area that brings it down to 11 percent. On the face of it it looks like we have taken more of a cut out of elementary and secondary than we have out of higher education.

Mr. DINGELDEIN. Senator Specter, the problem is different in higher education. There the problem was rapidly escalating costs. If you didn't do something to change current law those costs would have skyrocketed. What the budget is doing in higher education is trying to restrain the growth of the programs. It's not actually reducing the budget below current levels.

So when you average it out, the overall reduction is around 11 percent, and a much higher percentage appears in elementary and secondary education.

Ms. CHRISTENSEN. I would also add, Senator Specter, in 1982 these programs that are being reduced by 25 percent will increase by 7 percent. These elementary and secondary programs would be increased by 7 percent when most of them go into block grants. And we also have a 5-percent increase each year in the out-years until fiscal year 1986 for those same programs. So we look upon this as a 1-year, one-time remediation to take care of the economic situation, because we truly feel that the current economic situation is hurting the students, teachers, and parents more than these cuts are doing.

Senator SPECTER. My time is up. So I shall not pursue it now, but I would like to pursue it with you privately afterward. I am at a total loss as to why you inject the issue of higher education when we are focusing on a question of differential from overall budget cuts to elementary and secondary cuts. I am totally unimpressed with the comment about restoring 7 percent next year, which is on a different base, when it doesn't begin to make up the difference between more than a 25-percent cut and an 11-percent cut. These figures don't make any sense to me, and I would like to pursue it with you further.

Secretary BELL. I think, Senator, that we have not done an effective job in responding to your question. And if I could just take a second, Mr. Chairman, I think I can help that.

Senator SCHMITT. Please go ahead, Mr. Secretary. I don't want to cut off Senator Specter's line of questioning. He can return to it.

Secretary BELL. Yes; while we are on that, if I may, you asked the question why are we cutting elementary and secondary education 25 percent, and you looked at our overall budget and say it's only going down 11 percent.

The 11-percent decrease in the overall budget is actually a net decrease composed of a 9-percent decrease in 1981 and a 2-percent decrease from that in 1982. Even though most programs were cut by an average of 25 percent, some programs were cut more than 25 percent, while some were not cut at all. In higher education, the guaranteed student loan program was cut by a smaller percent, and the Pell grants program was increased. It was necessary to increase the funds for the Pell grants program to cover expenses that have already occurred. We made a smaller decrease in the guaranteed student loan program to restrict the costs that under the current law and the continuing resolution are uncontrollable. If we had not proposed programmatic changes that are now before you, the cost would have increased enormously.

Senator, I apologize that we didn't do a very good job in responding to your question. Maybe we could present to you a specific breakdown in a table of our projections of what programs will cost us in higher education if the law isn't changed versus the cost reductions that are proposed in current elementary and secondary education.

[The information follows:]

DEPARTMENT OF EDUCATION

(dollars in millions)

	1981			1982	
Elementary and Secondary	Continuing Resolution	Reagan Budget	Percent Change	Reagan Budget	Percent Change
Block Grants (inc. Title I)	$ 5,451	$ 4,064	- 25%	$ 4,362	+ 7%
Impact Aid	790	724	- 8%	401	- 47%
Bilingual	180	135	- 25%	144	+ 7%
Indians (Interior subcommittee)	82	82	--	81	--
Other Elementary and Secondary	6	--	-100%	--	--
Postsecondary	5,742	6,246	+ 9%	5,951	- 5%
Research, Training, and Other	1,559	1,351	- 13%	1,415	+ 5%
Total, Department of Education*	$13,810	$12,602	- 9%	$12,354	- 2%

	1981			1982		
Student Aid	Current Law	Reagan Budget	Percent Savings	Current Law	Reagan Budget	Percent Change
Pell Grants	$ 3,198	$ 2,562	- 20%	$ 3,374	$ 2,486	- 26%
Guaranteed Student Loans	2,014	1,847	- 8%	2,515	1,774	- 29%
Total, Pell and GSL	$ 5,212	$ 4,409	- 15%	$ 5,889	$ 4,260	- 28%

*Excludes Rehabilitation Services Administration.
NOTE: Numbers may not add because of rounding.

Senator SPECTER. As the chairman says, we need to pursue opportunities for others in the panel, and I will take this up with you later.

Senator SCHMITT. Senator Andrews? We roughly operate under a 5-minute rule.

Senator ANDREWS. I saw it's very rough. [Laughter.]

My problem is, I've got three subcommittees meeting this morning. I hope the questions that I am concerned about, Mr. Secretary, aren't ones that have been asked before.

Under impact aid, you are considering doing away with category B impact aid and leaving category A. I have been involved with the Appropriations Committee in the other body for some 16 years, and this process has been going on, and I have seen virtually every administration take a crack at undoing category B and keeping only A, and I've seen it go down to defeat, although there's a good deal of merit to the proposal, and I say this as a person who represents more school districts who have category B than have category A, so I know where the pressure comes from.

But you're saying we are only going to retain those A districts that have 20 percent or more, and I understand why that, but the A districts, as you know so well, are those who both live on and work at a Federal installation, and that individual school district has no other way of taxing him.

Now in a town like Pittsburgh or Philadelphia, that's a big town with a whole host of other assets. If you get a military installation in a State like ours, that's about it, and it does have a considerable impact.

Have you looked at a possible compromise position of going, say, to 15 percent on A, and then we could say justifiably—or 10—we would say justifiably then that for the student, since the property tax, the tax on the home, is the key resource for the local school district, and these people don't generate any property tax from a home they own or rent. I think you're going to have to meet someplace in the middle.

Have you looked at changing that 20-percent figure to 10 or 15 percent?

Secretary BELL. The problem with doing that, Senator Andrews, is that we wouldn't be able to unless we found cuts other places—we wouldn't be able to come up with the gross dollar amounts that we need to provide.

Senator ANDREWS. That's fine. But the point is, you can see that there might be some merit to this compromise position. The reason you haven't looked at it is because of the gross dollar amount concerned.

Secretary BELL. Well, as we weigh all the alternatives that we have to weigh throughout the whole budget to come up with the dollar reductions, that is largely accurate.

I just emphasize, impact aid came in at a time when most school districts' funding came from local property taxes. In most of the States now, it comes from State appropriations and State equalization programs, and the lesser amount comes from property tax. And so the person who is a federally impacted worker pays sales tax and State income tax and those other taxes, and so they are contributing more to school taxes than they did years ago when the impact aid program came in. I'm sure you're aware of that.

IMPACT AID—EQUALIZATION

Senator ANDREWS. That sounds fine coming from your side of the table, but when you get to a State like North Dakota or a State like New Mexico, you have another factor. Our States are paying far more in terms of the effort factor from the resources we have in a general income tax or whatever, for education, by a factor of sometimes two or three, than many of the larger Eastern States, because every time we buy an automobile that's made in Detroit, and we hope it's made in Detroit, every time we buy one of those automobiles, we're contributing in effect to the education of a child in Michigan. We buy tractors, we're contributing to the education of a child in Iowa or Illinois.

And when you say we have moved from the individual property tax to general State revenues, you fail to take into account the fact that many of these small States that have defense installations are spending twice as much of their individual income for education as other States. And you've made no adjustment in equity there, have you?

Secretary BELL. I would acknowledge, particularly in North Dakota, that's so.

Senator SCHMITT. And New Mexico?

Senator ANDREWS. I mentioned New Mexico.

Senator SCHMITT. You can acknowledge that also.

Secretary BELL. If I could, for a minute, I would point out to the chairman that New Mexico has one of the finest equalization programs in the United States with their finance programs for schools, and so a local school district has a hard time making a case.

"Look, I'm losing my local property tax revenue because of this Federal installation." The legislature from the State of New Mexico is making it up.

Now I'm not familiar—and I should be—with the North Dakota formula, but I know in New Mexico, that maybe the State can make that argument, but certainly the local school district can't.

Senator ANDREWS. You've done your homework on the right State, and I hope you'll do a little bit of work on North Dakota. I would hope you'd take a look at New Mexico also and see the percent of income where the effort factor index is compared to other States, and that ought to be folded into the equation. And perhaps in those States where the effort factor is higher as a resource, you could change the 20-percent level to 15 or 10 percent. But you could provide some of those answers for the record.

ASSETS OF FARM FAMILIES IN QUALIFYING FOR STUDENT LOANS

The major question I want to get to you is the change in student financial assistance. I have looked at some of the things that the administration has done. I have been appalled at their antifarmer bias.

You are telling, in effect, the children of farm families or ranch families in New Mexico, by your ratio of equity and the asset reserve program, that dad is going to have to sell the farm if he's going to send his son or daughter to college, and let me tell you why.

In North Dakota, the average equity in a farm is $89,000. Now this is a small farm. Statistics from the Department of Commerce show that we get a 3-percent return on equity in agriculture, so that average-sized farm is going to make a $2,700 income. But when you subtract your $50,000 asset reserve, you come up with a $39,000 taxable asset. You apply your ratio taxation rate of 10 percent, you get $3,900. So in a sense, you are saying that that child from that farm family, because it has "assets"—that isn't what he paid for the farm; that isn't what it's worth as far as return on investment; it isn't shown in the income of the family by Government statistics—that farm with an asset value of $89,000 returns $2,700 a year—but you're telling that farm family that they can't get loans because they've got too much in assets.

How do you justify telling the farm children of America that you are going to have the opportunity for a higher education loan shut off because we don't understand how farming works and we don't understand the economic background?

I questioned the Secretary of Agriculture yesterday in another committee on another matter, and I told him, "Look, Mr. Secretary, in your State you're one of the best farmers. Could your son buy your farm and make it pay?" And he said, "No way."

The point is that given the asset valuation, you can't buy it and make it pay. But you are applying that type of asset valuation in determining who can borrow money to get a college education.

Why did you do it? What have you got against rural children, or just don't you understand?

Secretary BELL. First of all, if I could comment, I hope John Block of Agriculture was defending our student aid program. I will see him at a Cabinet meeting right after this meeting.

Senator ANDREWS. We weren't talking student aid. We were talking about another problem. We were talking about the fact that John Block came in with another idiotic recommendation from this administration. I happen to be in that party. He wants to increase the price supports on tobacco and decrease the price supports on milk. On that kind of a deal, we're going to give each child, preschool child, a cut of tobacco to chew on, because we aren't going to have milk around. That makes about as much sense as some of this stuff does.

But according to the figures we have been given, the average farmer in North Dakota can't get a student loan for his child, even though his average income is down to $3,000 a year. Why?

Secretary BELL. Well, the provisions that you refer to are in the law, Senator. They are not in our regulations.

Senator ANDREWS. But it's never been used that way.

Secretary BELL. Let me ask Mr. Dingeldein, who works in this program, to respond to the specifics. But as I understand it, it's statutory and isn't an item that I could respond to by regulation.

Bill?

Mr. DINGELDEIN. Senator, the situation for farmers is actually improved. I'm not sure where you have gathered this information.

Senator ANDREWS. I got it from my State board of higher education, a letter dated March 18, 1981, four pages of which, Mr. Chairman, I would like to put in the record at this particular point in time, and what they are talking about are changes proposed to the guaranteed student loan program.

Senator SCHMITT. Without objection, so ordered.

[The letter follows:]

MARCH 18, 1981.

The Hon. MARK ANDREWS,
U.S. Senator,
Washington, D.C.

DEAR SENATOR ANDREWS: Several days have passed since I was able to visit with Andrea Winkjer relative to the proposed changes in the student financial assistance programs. Since we met, the proposals have been submitted to Congress, and I am now able to formally respond to them.

I am pleased that the administration has continued its support for the campus-based programs. The supplemental educational opportunity grant (SEOG), college work-study program (CWSP), and national direct student loan program (NDSL) are critical pieces of the puzzle that allow campus financial aid administrators to respond to the unique needs of individual students. In addition, continued support of the State student incentive grant program (SSIG) reaffirms the role and position of States in being able to design unique programs for their students.

I am very concerned about several proposed changes in the basic/Pell grant program and in the guaranteed student loan program. While I agree that a tightening up can and should occur, I cannot agree with some of the specific measures proposed to accomplish that end. I should like to offer my comments item by item, program by program, as they were proposed by Secretary Bell to the Subcommittee on Postsecondary Education of the Committee on Education and Labor of the House of Representatives on March 11, 1981.

Changes proposed to Pell grant, fiscal year 1981.—The proposals are to: (1) Defer the traditional indexing of the family size offset for inflation. This proposal is acceptable if some mechanism is built in to allow for actual inflation. To not anticipate inflation is fine in theory, but in reality failing to recognize the actual rise in costs of maintaining a family may result in expecting more of a contribution for college of that family than is reasonable or realistic. (2) To establish a self-help expectation of all students. This proposal is acceptable since we in North Dakota have been doing so for years. It is particularly palatable when the flexibility is given to the aid officer to grant exceptions for extenuating circumstances. (3) To regain control over allowable educational costs. I agree that the Education Amendments of 1980 may have given a bit too much latitude in the construction of budgets. While final judgment must be reserved until the changes are detailed, I agree in concept to the changes.

Changes proposed to Pell grant, fiscal year 1982.—The changes proposed are two, over and above those for fiscal year 1981. (1) To eliminate the offset for State and local income taxes. While such a change will certainly raise expectations of family contribution for middle and higher income families, it may not reflect reality. To merely exclude such taxes from the calculation of family contribution will not actually increase the strength available to pay for college. Taxes must be paid and those funds cannot be used for anything else. Any system of determining family financial strength that does not reflect that fact is less than sensitive to the real world. (2) Raise the tax rate on discretionary income from 14 to 20 percent. I do not disagree with the concept of reestablishing the family as the primary resource for paying for college. However, I do not feel a flat, across-the-board rate is the best alternative. A more realistic approach would be to institute a progressive taxation system as is employed by IRS or as is incorporated into the uniform methodology. It appears more reasonable to expect increasingly more of a family for college as their financial strength increases rather than the same figures for all, regardless of circumstance.

Changes proposed to guaranteed student loan program (GSL).—(1) Limiting student loan eligibility to remaining need on its face, this proposal carries tremendous appeal. It is difficult why one should be allowed to borrow more than his/her need. However, in order to agree with this concept, one must agree with the manner in which need is determined. It is at this point that I cannot agree. I cannot agree that the manner in which family contribution is determined is fair and treats all types of students the same, as is one of the goals of Secretary Bell.

For fiscal year 1981, the manner in which family contribution is determined can be more easily defended in philosophical terms than the changes proposed for fiscal year 1982 which will virtually eliminate from all aid eligibility, including GSL, our students from farm and business. It is my understanding that for fiscal year 1982 any equity in farm/business assets over $50,000 will be taxed at a flat 10 percent rather than on a progressive scale as is now the case. Some examples will illustrate the impact.

In 1980–81, 40 percent of all aid applicants from North Dakota were farm or business compared to 19 percent nationally. The average equity for North Dakota farm/business is $89,000. After subtracting the $50,000 asset reserve, $39,000 remains to be taxed at 10 percent providing a family contribution from assets of $3,900. Such a contribution figure would eliminate such students from eligibility at all schools in North Dakota except private institutions. The costs of public schools should not exceed $3,500 for the coming year.

The following table more graphically displays this data:

	North Dakota	National
Ratio of applicants from farm/business	40%	19%
Average equity	$89,000	$49,600
Asset reserve	$50,000	$49,600
Taxable assets	$39,000	$0
Taxation rate	10%	10%
Contribution from assets	$3,900	$0

Source.—ACT statewide and national profile of financial aid applicants.

In addition, for fiscal year 1982 homes will no longer be included in the calculation of family financial strength, and an additional $10,000 reserve will be provided against other assets, such as cash, savings, et cetera. The effect will be to expect virtually no expectation from assets from wage and salary families, but to expect substantial asset contributions from farm/business families. This is particularly troublesome when one understands that a major portion of that asset contribution has been driven by inflation of land value and bears no relationship to productivity or cash flow.

The administration goes on to assume that such families can borrow under the new parent loan program or secure a personal loan using their equity as collateral. That assumption is based on a willing lender and an available money supply, notwithstanding reasonable interest rates. In North Dakota, it is highly unlikely that we will have either a willing lender or an available money supply for such collateral loans.

(2) Eliminate the in-school, deferment, and grace period interest subsidy on student loans. Currently, all students are eligible to have the 7 or 9 percent interest paid to the lender on their behalf by the Federal Government. Since the Higher Education Amendments of 1978 and 1980 opened the program to everyone, the costs to pay the interest have skyrocketed. I am in agreement that the GSL costs need to be controlled, but I do not agree with this aspect of the proposal.

The administration proposed to have the student either: (a) pay the interest themselves while they are in school, or (b) defer the interest while the student is in school and capitalize it with the principal when the loan goes into repayment. While Secretary Bell provided persuasive arguments as to why these two options will work, in North Dakota I feel he has vastly understimated the negative impact on lender participation. Most lenders will decline to participate when they find they must implement a system of billing, et cetera, for in-school interest. Too, I doubt very much if they will forgo that portion of their interest payment until the student goes into repayment. To do so would be to damage their cash flow and their rate of return. The prospect of greater return in the long run will not offset their portfolio and cash management in the short run.

The National Council of Higher Education Loan Programs (NCHELP) has developed a set of alternatives to the administration proposals. I have included them as an appendix to this letter. I have reviewed these proposals and agree with NCHELP that these alternatives can move substantially in the direction of cost savings and the reestablishment of the responsibility for college costs with the family, but still providing a much needed safety net for access to postsecondary education.

Thank you for your efforts on behalf of North Dakota students. If I can be of any assistance to you as these proposals move through Congress, please feel free to call on me.

Sincerely,

CLARK J. WOLD, *Director,*
Student Financial Assistance Program.

LIMIT ELIGIBILITY FOR INTEREST SUBSIDY BY INCOME IN GSL

The Federal payment of interest for the student was the original purpose of the GSL program. In 1965 students from families with incomes up to $15,000 were eligible to receive interest subsidies. By 1978 the eligible family income was $25,000. The Middle Income Student Assistance Act of 1978 removed that income cap completely. The combination of the removal of the income cap and the growth of State guarantee agencies is generally held responsible for the recent increases in loan volume.

In a time of scarce budget resources it is popular to attack programs which appear to give benefits to the rich. In the GSL program there have been many stories about the affluent banker, doctor, lawyer, et cetera, receiving benefits through participation in the GSL program. NCHELP does not condone giving benefits to those who can truly afford to pay, but cautions against setting an income ceiling so low that the middle-class target group is excluded.

It is expected that some lenders will drop out of the program due to increased administrative difficulty both to document income for subsidy and maintain accounts which do not receive subsidy. However, setting an income cap involves substantially less paperwork than trying to determine need while targeting benefits on students the program was designed to assist.

It appears to NCHELP and the financial community involved in loans that as discretionary family income has been eroded by rising living costs, purchasing patterns have emerged. Small consumer items are financed through VISA, Mastercard, and finance companies at high-interest rates with immediate payback. Larger items such as homes, cars, and postsecondary education are financed through longer term credit mechanisms with lower interest rates than the short-term market.

The decision under consideration is whether to force the purchase of education into the high-cost, short-term credit market. The GSL program provides readily available, long-term credit financing at interest rates which promote payback rather than defaults. Forcing the GSL program into the need category with no mechanism whereby the family could obtain the necessary funds will result in fewer students attending postsecondary education.

While lower income families do not have a monopoly on need it is assumed that higher income families will have less trouble arranging financing for their children's education. NCHELP believes that an income cap is preferable to a need system which ignores the problems of financing the expected family contribution.

ELIMINATE ALL DEFERMENT PERIODS EXCEPT THE IN-SCHOOL AND UNEMPLOYMENT DEFERMENTS

The GSL program has long been saddled with deferment provisions designed to meet national manpower objectives. The 1980 Higher Education Amendments added substantially to the list of eligible deferments. In a time when the cost of the GSL program is under close scrutiny NCHELP believes (1) that lender forbearance is adequate to assist borrowers in unusual circumstances, and (2) that specific manpower agencies should foot the cost of their deferments rather than hiding those costs in the GSL program.

In 1980 the military manpower provisions included a mechanism by which the Defense Department would ask for appropriations for GSL cancellation for selected servicemen, and pay the Education Department for the cost of those cancellations. This type of mechanism could be used for many of the current deferments such as Armed Service, Vista, Peace Corps, Public Health Service Corps, rehabilitation training, and disability payments. In this fashion, the beneficiaries of the deferments would pay the cost of those deferments and the GSL program could continue targeting its subsidies on students attending postsecondary education.

ELIMINATE THE 6-MONTH GRACE PERIOD FOLLOWING DEFERMENT PERIODS

The 6-month grace period following deferment periods was added in the Higher Education Amendments of 1980. This new benefit adds to Federal costs while providing little social benefit. Until the passage of HEA 1980 students began repayment immediately following deferment periods. The default rates in the GSL program shows that this did not impose a hardship on the borrower. In addition lenders and guarantors have always exercised forbearance where hardship might be the case. Given this situation NCHELP finds this new, potentially expensive grace period to be unnecessary and detrimental to the GSL program.

ELIMINATE THE INDEPENDENT STUDENT CLASSIFICATION

There has long been discussion of the self-selection for independent status under the need-based programs. A dependent student might not qualify for need-based aid because of the level of family income, but if that student were considered independent his own income—or lack thereof—might qualify him for aid. Each piece of student assistance legislation has liberalized the treatment of independent students—their income, assets, and eligible expenses. The result has been a dramatic growth in the number of independent students and Federal benefits paid to that group of students.

The HEA of 1980 separated students as dependent and independent for the purposes of GSL. Prior to that legislation students were distinguished only as undergraduates and graduates in GSL. Along with this new distinction, the independent student was allowed $500 more per year under the maximum loan amount. The effect of this provision is to expand loan volume to a selected group of students.

Eliminating the independent student classification for GSL: (1) reduces the administrative burden to the lender who must distinguish the status and make a different loan determination based on that status; (2) acts to constrain growth in GSL volume thereby limiting Federal subsidy; and (3) could prevent an increase in default claims due to high levels of indebtedness by students least able to handle it due to other obligations they are likely to have.

While it would be nearly impossible to eliminate the independent student classification from all of title IV, the need analysis should be rolled back to at least pre-HEA 1980. The liberalization of the treatment of independent students in that piece of legislation has provided enormous incentives for students to declare independence thereby reducing even further the responsibility of the family to assist the child in financing his education. The number of independent students continues to grow and the use of the new title IV need analysis will shift more need-based funds toward this category of student. The new need analysis assumes that two families with equal numbers of parents and children with equivalent resources are in the same financial position. In reality the family of the dependent student may receive aid to cover the educational costs of the student alone. Independent students may receive aid not only for the educational costs, but also to subsidize the living expenses of other family members. Thus, the independent student shows more need and is eligible for more aid.

In order to control potentially runaway costs in the BEOG program the definition and calculation of need of independent students must be changed to more equitably distribute the burdens and benefits of education.

DEPARTMENTAL CHANGES

Senator ANDREWS. These are changes you have done, nothing that Congress has done.

Mr. DINGELDEIN. Let me first mention that under the Pell grant program that the situation——

Senator ANDREWS. I'm not talking Pell grants. We've been ineligible as farmers for Pell grants for a long time, but we can't get under the new proposals that you're putting in—we can't get guaranteed student loans.

Mr. DINGELDEIN. It's the same need analysis system that's going to be in effect for both programs in 1982.

Senator ANDREWS. We did not have that on guaranteed loan programs last year, so it was not statute; it was arbitrary by those of you in the present Department of Education. Isn't it? I mean, it's a change——

Secretary BELL. No, Senator.

Senator ANDREWS. Were you mandated by law to make that change to preclude these guaranteed student loans to farm families?

Secretary BELL. When we can get a moment here to speak, we'll respond.

Senator ANDREWS. Go ahead.

Mr. DINGELDEIN. Senator Andrews, would you clarify what the question is? At first, I thought you were talking about the Pell grant program. You're talking about the administration's proposal——

FARMERS QUALIFYING FOR STUDENT AID

Senator ANDREWS. To change the guaranteed student loan program, because farm families were kept out of the Pell program; now you're going to keep them out of the guaranteed student loan program.

Mr. DINGELDEIN. We need to go back first to talk about the Pell grant program, because there have been some important changes there benefiting farmers. In the past, there was only a $50,000 asset exclusion for farm families. As a result of changes in the law last year, which are being maintained under the Reagan budget proposals, the farm family would continue to get the $50,000 offset against the net value of the farm—his equity in the farm. That's net after reductions for a mortgage and so forth.

In addition, all the equity in the home would be offset, too. This is a major change that was not in effect before but is included under the Reagan budget proposal.

In addition to those two offsets, there is another $10,000 asset exclusion. The situation now is, instead of having offsets of $50,000 to rely on, the farm family has offsets of $60,000 plus the value of his home before any taxing of the assets go into effect.

Senator ANDREWS. But the value of the farm, exclusive of the home—and we're not talking about the farm—and this is average, a farm of 500 acres is an average-sized farm in the Red River Valley. It is valued today at probably, unfortunately, $1,000 an acre. That gets way up. Now that's the average-sized farm. A very small farm, the account is given here, is $89,000. Take off your $50,000; take off another $10,000, you've still got another $29,000 or $2,900 that they have to contribute before they can get a student loan. There's no way they can do that, because the statistics also show on that small farm with a total asset base of $89,000, they're only making $2,700 a year. Unfortunately, that's what happens in agriculture.

They only paid $50 an acre for the farmland; it's now worth $1,000—not to them, unless they sell out—and if you change the student loan program, which was the window that was left for farm children and ranch children, in effect what you are doing is saying, "No way can you get an education unless the family sells the farm."

Mr. DINGELDEIN. The parent can still borrow——

Senator ANDREWS. The parent can't borrow; the parent's been squeezed by Farmers Home and by other kinds of loan ratio equities. There's nothing left.

Senator SCHMITT. There's nothing left.

Senator ANDREWS. The chairman knows this as well as I do, and what you have done is, because you don't understand agriculture, you don't understand ranching, you've taken a whole class of young people and said, "Just because your father and mother happen to be a farm family, you can't get an education because you can't get money through the student loan program. You couldn't before from the Pell grant program."

STUDENT LOANS AND PARENT LOANS

Mr. DINGELDEIN. What I'm trying to say again is that insofar as any changes have been made, and the changes were made by the Congress last year, they have eased the situation. They may have not remedied it. While restrictions are included under the Reagan budget proposal for student borrowing under the guaranteed student loan program, the parent can borrow irrespective of the remaining need limitation that applies to the student.

Senator ANDREWS. Just in conclusion, let me say if the farm family out in North Dakota, squeezed by drought and low prices and an export embargo that started out to be Carter and now is Reagan's and a whole host of other things, if you told the farm family they could find more money to borrow, they'd laugh at you, because you'd be so far off base.

I think it's appalling that a new administration comes in and just totally wipes out educational opportunity for a whole group of people because they simply don't know what the impact is and they don't know what the true asset rate of return structure is in a key industry like agriculture in this country.

I'd appreciate, Mr. Chairman, if they could answer specifically the questions brought up by our State board of higher education, which point up what is going to happen.

CONTROLLING THE COSTS OF GSL

Secretary BELL. I'd like a copy of that letter, and I'd like an opportunity, if I may, to respond.

Senator SCHMITT. Please go ahead, Mr. Secretary.

Secretary BELL. We had the challenge placed before us to reduce the runaway costs of the student loan program. It has been horrendous in its cost implications. We had a program with a statute that would permit the millionaire on Main Street—this is in cash assets—to come in and get a guaranteed loan, and the Federal Government, running enormous deficits, would pay the interest all the time the student was in school. So we proposed to go to a remaining need criterion in the guaranteed loan program. Before, anyone could borrow up to $2,500, regardless of their financial situation.

If a student, because of the asset situation such as the farm family that you're talking about, Senator, can't qualify for a loan, then as Mr. Dingeldein pointed out, the parent can borrow the money. The difference is the distinction as to whether the parent signs on the line for the student loan or the student signs on the line for the loan.

These individuals in North Dakota can still qualify for a loan, based upon remaining need on the part of the student or based upon the discretion of the parent on the part of the parent.

And so I just can't accept the point that we have excluded all the farm people in North Dakota from participation in this program. The parent loan program benefit is there in addition to the student benefit. I would suspect there will be large numbers of farm family youngsters that can qualify for the student loan, and after that, they have the backup situation with the parent loan.

FARM ASSETS IN RELATION TO LOAN ELIGIBILITY

Senator ANDREWS. You've taken a look at cash assets. Instead of using a rifle, you used a shotgun, and you get land assets that affect the rancher and the farmer, and the rancher of New Mexico and the farmer of North Dakota simply can't trot down to the bank and borrow another $3,000 or $4,000. At least half of them can't. And the guaranteed student loan program gave their children an opportunity to go to college. That's the point I'm trying to make.

Secretary BELL. You see, Senator, the point is that the parent can.

Senator SCHMITT. Mr. Secretary, I really think we must move on to other areas. I think the Senator from North Dakota has really made a point that you all don't fully grasp yet about the debt/equity ratio that now exists within the farm and ranch community.

Secretary BELL. I'm aware of that, Senator, but I don't think the Senator is grasping my point, because the Senator says, "Look what you've done; you've cut all of this population group out of access to the loan program," and, Mr. Chairman, that absolutely isn't so, and this record ought not to show that it has.

Senator SCHMITT. We have a basic disagreement and we'll try to work that out.

Secretary BELL. I think I have answered it, Senator Andrews.

Senator ANDREWS. No, you have not said that a student from a farm family can get a guaranteed student loan. You said he can go to the money market and get a loan. So you're telling him, then, that his loan costs him twice as much as the loan of the student beside him who happens to have a family who makes five times the net income his family does. And I say that's unfair, and I'd appreciate your answer for the record later on, because the chairman has other items he wants.

Secretary BELL. Mr. Moore, who administers this program, would like to respond. It's a key point, Mr. Chairman. I plead with you to give us enough time here.

Senator SCHMITT. Mr. Moore, please answer briefly. We aren't through with this issue. We will come back to it later.

Secretary BELL. We hope not, but maybe Senator Andrews won't be here when we respond.

Senator ANDREWS. I'll be looking——

Senator SCHMITT. We'll make sure that he gets the benefit of those answers.

LENDING ACTIVITIES IN NORTH DAKOTA

Mr. MOORE. As the staff member in our place who started our federally insured program in 1967 in Bismarck, N. Dak., I know something about lending activities in that State.

Two observations. One, it is true we have a proposal before you to limit access on the guaranteed loan program for remaining need. The test of need that we propose to use if the Congress accepts these amendments, is exactly the same test that we have been using for 23 years in the direct loan program, which I might add has been functioning in just dandy shape at North Dakota State, the University of North Dakota, and all those other schools.

I would welcome the chance to respond to the letter from the State board of higher education, because I haven't read it, but I will bet you that none of the North Dakota financial aid people were consulted when that letter was put together. They will tell you that one of the basic principles in need analysis which has been true in the system for 25 years—true in California, North Dakota, New Jersey, wherever agriculture is a basic element of the economy—is that taxing net income yields practically nothing because of the way the economics of the farm operate. Therefore, it has been a time-honored principle since the first system was set up in 1954 that one had to look at the equity in the farmland itself as a measure of financial strength and use some method of taxing that equity.

So, Senator Andrews, I would have to say, with all due respect to your State board of higher education in North Dakota, that this is an issue that we have been working with for a quarter of a century. It is nothing new.

We are not excluding people from the guaranteed loan program any more than we have been excluding them from the national direct student loan programs since 1958, using what we consider to be a very fair and balanced approach.

I would simply put the rest of the information in the record.

Senator SCHMITT. I hope you will.

[The information follows:]

ISSUES RAISED BY NORTH DAKOTA STATE BOARD OF EDUCATION

Issues raised by the letter from Clark J. Wold, Director of Student Financial Assistance of the North Dakota State Board of Education to the Honorable Mark Andrews regarding Student Financial Assistance:

Changes proposed to Pell Grant program for fiscal year 1981:

Issue: Deferring indexing of the family size offsets in calculating the family's contribution to educational costs is acceptable if some mechanism is built in to allow for inflation.

Response: One of the basic thrusts of the Administration's proposals is to reemphasize the traditional role of the student and the family in financing postsecondary education. We believe that the liberalizations in the Pell Grant program, beginning with the Middle Income Student Assistance Act and more recently in the Education Amendments of 1980, have substantially eroded the family's role and place more and more responsibility for financing postsecondary education on the Federal government. The Administration believes that expected family contributions are now unrealistically low. Therefore, the Administration is proposing to raise the assessment rate on family discretionary income in determining expected family contribution in fiscal year 1982.

In fiscal year 1981, however, this policy would substantially delay the processing and distribution of student eligibility reports. Because of this we have chosen to defer the indexing of the family size offset for one year--a policy that has a similar effect on Pell Grant awards as changing the assessment rate on discretionary income and one which will produce more reasonable expectations of what families can contribute.

Indexing of family size offsets is not the only mechanism in the Pell Grant program which makes student awards sensitive to inflation. For example, one of the factors which affects a student's award is the cost of education. Approximately half of the students receiving Pell Grants receive grants limited to half the cost of education. Therefore, as education costs rise, half of the increase is covered by a larger Pell Grant.

Issue: The self help expectation is acceptable.

Response: We appreciate the concurrence of Mr. Wold in the concept of the self help provision in the calculation of a Pell Grant. This is a provision which reflects the Administration's position that students, as well as parents, should be expected to contribute to the financing of their educational costs.

Issue: To regain control over educational costs is understandable although final judgement awaits the detailed changes.

Response: This Administration has before Congress legislative changes to the Education Amendments of 1980 which will restore to the Secretary of Education the determination of specific educational allowances in estimating educational costs for purposes of Pell Grant awards. The regulations in support of this legislation are being readied for submission as soon as the legislative changes are enacted.

Changes to the Pell Grant program for fiscal year 1982:

Issue: Elimination of State and local taxes is not a realistic way to estimate a family's financial strength.

Response: The provision in the Education Amendments of 1980 to authorize an offset for State and local income taxes in the determination of a family's financial strength is a liberalization which redounds principally to the benefit of the higher income families. Eliminating this offset will not affect the awards of low income students at either high cost or low cost institutions. In fact, this change will not lower the award of any student, but will prevent the awards of higher income students from increasing. In attempting to control the costs of the Pell Grant program, the selection of this proposal fulfills the criteria set by this Administration of controlling costs of the Pell Grant program in a way that would protect those least able to contribute to educational costs.

Issue: Raising the tax rate from 14 percent to 20 percent is less than applying a progressive taxation system on discretionary income.

Response: The Education Amendments of 1980 specify a maximum assessment rate of 14 percent on discretionary income in the determination of a Pell Grant award. This Administration is proposing legislation permitting the Secretary of Education to set assessment rates. For 1982-83 a maximum rate is proposed at 20 percent. This does not preclude establising a progressive rate structure. At the present time, the estimated costs of the Pell Grant program for 1982-83 are based upon a 20 percent assessment rate on discretionary income. Any reduction in that rate for any family income would increase the costs of the program, and would require an increase in the budget request to Congress unless some offset was found.

Issue: Limiting student loan eligibility to "remaining need" is acceptable if need is determined in an equitable manner. The consideration of "assets" in the need determination will discriminate against North Dakota aid applicants who exceed the national average in possessing farm and business assets.

Response: The determination of financial strength related to assets is set forth in the Education Amendments of 1980 which allowed the following offsets:

1) all equity in a family's principal place of residence.
2) $10,000 from other net assets (non-homeowners have an offset of $25,000).
3) $50,000 against net farm and business assets.

To the extent that the family's home is included in the farm and business, that portion is completely deductible from consideration of assets. After that exclusion, an additional $50,000 is allowed as well as the $10,000 offset.

At that point, an assessment against remaining assets is calculated if the family has a positive discretionary income. In general, families with farm and business interests who have low adjusted gross incomes might have a negative discretionary income--income which is less than the family-size offset provided for that size family.

For example, a family of five whose adjusted gross income was $8,500 would have a minimum offset of $10,200 for basic living expenses in 1982. This would provide a negative discretionary income offset of $1,700. If the farm family had a gross income of $2,700, the negative discretionary income offset would be $7,500. This is an additional offset provided for families when calculating expected contributions to educational costs from assets.

The assessment rate applied against assets has not yet been proposed for 1982-83. In 1981 that rate is 5 percent. Therefore, the calculation for contribution from assets, if the assessment rate remains at this same rate in 1982, is as follows:

Average equity:	$89,000	
Offset for home (Assuming that the home is not included in the $89,000 estimate)	---	
Offset for farm/business	-50,000	
Offset for other assets	-10,000	
	29,000	times 5 percent =
Student award would be $350		$1,450 (expected family contribution)

The above illustration assumes that the farm family had a home that was not considered in the $89,000 equity estimate, a discretionary income above the allowable offset for families ($10,200 for a 5 member family), only one child at school, only one parent working and no particular medical or other catastrophic expenses.

Although no specific studies on the debt-to-equity ratio have been made available to the Department of Education, all need analysis systems used for assessing "need" rely upon "net" assets, the equity remaining after reductions for debts. Therefore, any change in the debt-to-equity ratio which provides for lower net assets for farmers would proportionately increase their eligibility for title IV awards.

Issue: The new Parent Loan program assumes a willing lender and an available money supply. It is unlikely that North Dakota will have either.

Response: The State of North Dakota has been very responsive in assisting students and parents borrow funds for educational costs. The State of North Dakota acts as a secondary market for guaranteed loans and makes guaranteed loans directly through the Bank of North Dakota. As the Parent Loan program becomes operational, we feel sure that North Dakota will respond to their constitutent's needs in this area, also.

If, however, the State of North Dakota does not act as a secondary market for Parent Loans or provide loan capital, the Student Loan Marketing Association is authorized to provide a secondary market for parent loans and, on a last resort basis, make parent loans directly.

While the status of the parent loan program is uncertain in some states--particularly those requiring legislative authority to undertake such a guarantee program--the law authorizes other options, including having a Federally insured national "lender of last resort" to provide these loans where they may not otherwise be available.

Comment: Elimination of the in-school, deferment and grace period interest subsidy is not an acceptable answer to controlling the skyrocketing costs of the GSL program.

Response: We appreciate the concern that collection of in-school interest will discourage lender participation in the program and we do recognize that there will be some additional administrative burden on lenders as a result of this proposal. However, we do not believe that it will result in a widespread withdrawal from the program. At a recent meeting with several lenders participating in the program representing various types and sizes of institutions, it was clear that most of the larger institutions will have little, if any, problem capitalizing the interest, while the smaller banks would bear the greatest burden of this method because of reduced cash flow. We believe, however, this is not a significant problem even for most small lenders (unless they have a significant portion of their total portfolio in GSL's) because the cash flow effect would be marginal. We believe the program is, and will continue to be, a good investment for the lenders as well as an opportunity for customer and public service.

The options of imposing either an income ceiling on the student loan itself or on interest subsidy eligibility were considered and eliminated early on in the development of our proposals. Neither would in itself result in a significant level of savings either in the near term or in the future. Neither would serve our objectives of curtailing student debt levels or re-emphasizing the traditionally expected family contribution. Most important of all, an income ceiling of either kind would not be as equitable as using the more comprehensive need analysis system used for the other aid programs, and would result in unnecessary inconsistency in student treatment among student aid programs. We believe that using the same system of need analysis for all Federal student aid programs is a logical and resonable approach.

ADDITIONAL QUESTIONS

Senator ANDREWS. Mr. Chairman, may I point out one thing on this letter. It is not signed by just one person; it's signed by Clark Wold, the director of the student financial assistance program for the State of board of higher education, and it points out that glaring and harsh treatment that your decisions would give farm families and families in North Dakota, and he has an appendix. And I have a series of other questions, if I could, Mr. Chairman, to have answered in the record.

Senator SCHMITT. Yes; they will be included in the record.

Secretary Bell, in your analysis of this issue for the committee, I hope that you will look at the current situation in debt-to-equity ratio within the farm and ranch community, because that has changed within the last 25 years. I think both of you have some valid points and you're going to have to provide some integration of them.

Secretary BELL. Right.

Senator SCHMITT. Mr. Secretary, in general the rate of budget cuts that has been proposed for education programs is much greater than that proposed for nearly every other department or agency as a whole, particularly those under the jurisdiction of this subcommittee. Why has education received such a disproportionate share, some might say, of these cuts? I would ask that the record include the relative gross numbers for the Department of Labor, the Department of Health and Human Services, and the Department of Education relative to the cuts, the rescissions and deferrals relative to the fiscal year 1981 continuing resolution numbers.

Secretary BELL. Yes; Mr. Chairman, I feel that my responsibility in this administration is to represent education with Mr. Stockman and others as we talk about budget cuts, and I felt that we have done fairly well. Commerce, for example, suffered a 32.2-percent cut; HUD suffered 24; Interior, 24.4; and Labor, 24.3.

I mention those that have had larger cuts than ours. It is hard to count HHS in that because they have social security and medicare, and you'd have to exclude that to figure it.

So we thought, Mr. Chairman——

Senator SCHMITT. Excuse me, Mr. Secretary, are you talking about rescissions or fiscal year 1982?

Secretary BELL. We're talking about fiscal 1981, are we not, Sally?

Ms. CHRISTENSEN. We're talking about 1982.

Senator SCHMITT. What you were referring to was fiscal year 1982. We want to make that clear. My question had to do with fiscal year 1981. In education the cuts are exacerbated because of the nature of the way school year works relative to——

Secretary BELL. I suspect so for 1981, Mr. Chairman. But we felt we would treat it about in the middle point of the range. If we take Defense out and if you consider the uncontrollables in HHS, we felt we weren't picked on unduly. I am not saying we got off lightly, but I felt that we were about in the midrange.

The other thing, we should point out that a lot of our programs are advanced funded, so they are actually money appropriated, and I'm sure you know that, Mr. Chairman, for 1981 and 1982.

Senator SCHMITT. You know that's what makes this so difficult for the committee, because our educational institutions are looking at the fiscal year 1981 funding level as the basis for their budgets which generally have to be formulated by about the middle of this year. And it is not clear that we are going to be through this process by the middle of this year. What steps is the Department taking to take that into account?

Secretary BELL. We have tried the best we could to let the education universe know that these cuts that we are recommending that they be aware of them in the event that the Congress approved them. We don't want to send out to them and say you've been cut. We're saying we are proposing that.

I am aware of the problems that a lot of school districts have, that if they don't give a notice by a certain time, people in their employ are automatically reemployed for another year. Teachers' contracts are negotiated that way. For example, I think Albuquerque has a provision like that. I was speaking to the superintendent of schools from Albuquerque on this problem the other day.

So we have tried to let them know that these proposals have been made, and I think a prudent administrator would have given a notice, the advance notice that is required in certain employment contracts so they could take action in case their funding was cut down.

TRANSITION TO BLOCK GRANTS

Senator SCHMITT. Unfortunately many prudent or imprudent administrators are giving notice, as I indicated earlier, to their teachers, and they are holding on to their administrators and their counselors. Don't you think we ought to try to work out some kind of a transition period for these block-grant things so that there is an adjustment period? I think we can make some great savings in the future, but trying to make them all in fiscal year 1981 is going to be tough.

Secretary BELL. We are not going to have the impact we want to on the economic program if we try to phase down, Mr. Chairman, and also the block grants won't take effect until 1982 or 1983 in our proposed legislation.

Senator SCHMITT. Let me make it clear that this committee, and I am speaking about the Appropriations Committee as a whole, has agreed to rescind $13.3 billion. We are going to look at that rescission over the whole committee structure, and try to balance between which programs can tolerate rescissions and which can't. There aren't many programs that have this unique problem that the education program has. We may have to look at the Health and Human Services area and the Labor area and even Defense and others, in order that we have the best balance of these rescissions.

We understand that you have alerted the districts out there that they may face these cuts. The districts are scrambling and trying to take appropriate measures without really knowing what's going to happen here in the Congress.

Secretary BELL. I think it is unfortunate, Mr. Chairman, if the action they are taking is to reduce the number of people that teach and keep the administrative structure in place, I just can't understand that.

Senator SCHMITT. I hope you will use your influence and leadership, which is going to be one of the most important aspects, I think, of the Department in the near future, to try to make sure that the block-grant proposal for education does not result in a loss of providers and a retention of the administrative overhead which is what we are trying to get rid of in the first place.

Secretary BELL. I couldn't agree with you more.

Senator SCHMITT. I made the same representation yesterday to former Senator Schweiker, Secretary of Health and Human Services. That just can't happen. If it happens, it's going to come back right in your face and cost you far more than anything you might have saved.

Secretary BELL. I've had experience in budget cuts, as I'm sure you have. I've had them in the position that I had before I came here, where our Governor had to order some budget cuts, and I found the cuts weren't all that harmful.

We did some things that made us lean and hungry and more effective in the statewide system of education. But they are harmful if you take the action that you are describing some are taking, Mr. Chairman, and that's the wrong way to go. Under pressure usually you ferret out layers of supervisors and others that maybe you can get along without. They may be OK to have, but not essential. If you start cutting out the essential and leave that layering in there it will be tragic.

TEACHER CONTRACTS

Senator SCHMITT. Has the Department taken into account that some teacher contracts in some districts are tied to the Federal programs? I think that was probably a tactical mistake on the part of school districts, and maybe even of teacher groups in negotiating to tie their jobs to specific Federal contracts, but nevertheless that has been done. Have you looked at that and how the district can deal with that?

Secretary BELL. Yes; most of the large school districts have comprehensive written contracts either with the NEA or the AFT, and many of the school boards have negotiated a provision about what they call hard money and soft money. They refer to Federal money as the soft money contract and say this contract is contingent upon Federal funds continuing. I know we did that in our system of higher education in my home State. There were those that were on these kinds of moneys, and we constantly made that provision in there.

CONTINGENCY PLANS

Senator SCHMITT. Does the Department have in place contingency plans if the proposed legislation does not work its way through Congress in time to deal with this current school year?

Secretary BELL. Yes.

Senator SCHMITT. For the next school years?

Secretary BELL. Yes; then we will proceed with the programs as they now exist, and we will function and allocate funds under the categories as they now exist. So we will be in a position to go either way. We hope the Congress goes with us on the block grants.

SPECIFIED PURPOSES UNDER BLOCK GRANTS

Senator SCHMITT. Now with respect to the block-grant proposal, Mr. Secretary, as you can tell, I have, and I suspect other members of the subcommittee have, concern about the transition period from categorical grants that are extraordinarily specific and in one way or another in most school districts probably have hamstrung the system from dealing with the specific nature of the problems that they have in the district. Has the administration considered, requiring that the funds under the block grants be used for specific purposes or to meet the needs of specific target groups over a specific period of time that would be called a transition time?

Secretary BELL. Yes; the specifics of our proposal are now being considered by OMB, and so we don't have the final version of the bill yet before us.

Senator SCHMITT. When would we expect to see it?

Secretary BELL. Hopefully next week. I had hoped that it would be this week. But in our deliberations we are still working at that.

But I should point out that the block grant will require the targeting of the resources, largely on the handicapped and the disadvantaged. If the version that we are talking about is what gets into the bill, we will also be expecting a planning procedure and a filing of a plan of how the local school board plans to use those resources.

Hopefully that will be done in open meetings where various groups can be involved.

But the point I want to make is this block grant won't be general aid. They will need to continue to serve specific populations. We don't have any disagreement with OMB on that. They will still have to spend the money within the purposes from which the funds came when they were put into the block grant. So they will still be targeted.

Senator SCHMITT. Will the proportion of funding be determined by the statute?

Secretary BELL. No; they will be able to spend as much of it as they want on handicapped or upon the disadvantaged. That will be at their discretion.

I met with a group of school superintendents from South Carolina just a couple of weeks ago. They pointed out to me that they have a large categorical aid program provided by their State legislature for the handicapped. So they would like to spend and put the emphasis of their program and deploy their resources onto the disadvantaged area.

I know of some States that have State aid programs for the disadvantaged, and they may want more discretion to deploy the resources in the other direction. So it will give them more flexibility and there won't be all these narrow categories that we have had in the past and the strict reporting requirements and the very, very heavy regulations that they have had.

SUPPLEMENT, NOT SUPPLANT

Senator SCHMITT. Did you consider a requirement that funds be used to supplement rather than supplant State and local education revenues?

Secretary BELL. We weighed that considerably and decided that we would not make that as a requirement in our block-grant bill.

Senator SCHMITT. In theory the States could reduce their contribution commensurate with the block-grant contribution by the Federal Government?

Secretary BELL. Yes; if we were putting these in as new resources I would be concerned about them doing that. But they're already functioning, and I don't anticipate that is going to happen. These programs already have a constituency out there, and if the locally elected school board is responsible they certainly ought to be able to make those decisions.

I think they are just as concerned as we are about those groups of students. At least they certainly should be.

ALLOCATION FORMULA

Senator SCHMITT. What do you anticipate will be the allocation formula for a block grant?

Secretary BELL. We are trying to make that largely commensurate with what it is now. So that a school district, minus the amount of the budget cut, would still get proportionately the amount of Federal money that they received before.

Senator SCHMITT. This is by district? You mean in the State.

Secretary BELL. And the districts. There is the local education agency block and there's a State education agency block. And most of the money, of course, flows directly to the local education agency, the school district, on a formula, just as it does now.

Title I money flows directly to the school district. And so we won't change that significantly at all.

Senator SCHMITT. That's roughly the same plan that the Health and Human Services is planning to use with their block grants, to base the allocation on the existing proportions once everything is put together.

Secretary BELL. Yes; give them discretion to deploy the resources within the categories that are specified in the block grant.

FISCAL LIMITATIONS

Senator SCHMITT. Have you examined the impact of your proposals in States like California and Massachusetts where certain tax propositions have passed? Proposition 13 and proposition 2½?

Secretary BELL. Yes; and I've been hearing from a number of your colleagues on that. There is now a very strict requirement in the law on maintenance of effort. Particularly in the Commonwealth of Massachusetts that may be a problem, and we may be sending up a proposed amendment so we won't have to apply the maintenance of effort provisions as harshly as they are now.

I am surprised that in the time I was here in 1976 until now that the Congress had taken away the discretion that we had administratively to waive some of those maintenance of effort provisions. We think we are going to need legislative assistance or legislative correction. If there isn't some change made, then we likely will have to disqualify large numbers of school districts for failure to maintain effort through no fault of their own. It's a proposition 13-type initiative that has affected them.

TRANSITIONAL ARRANGEMENTS

Senator SCHMITT. Did you consider any transition period in which you would require certain things to be done, then phase out over a 3-, 4-, 5-year period until you get into a true unequivocal block situation?

Secretary BELL. We weighed that, Senator. We concluded that the change could be made. They will have enough time. Because of the forward funding provision, it will actually hit the 1982–83 year, and so we think they can make that transition, but we didn't have a phasing from the controls we now have over to the discretion that they will have. That would be granted at the time the law was passed. We don't think a transition is necessary. You and others may disagree with us on that, but we felt that that transition could be made.

IMPACT OF RESCISSIONS

Senator SCHMITT. I'm sure that we will be looking at it. If we were not looking at these massive rescissions, I think I might be able to agree with you. The rescissions, about which the Congress must make a decision by July 1, doesn't give us much time or the local school districts either.

Secretary BELL. Well, that would be the adjustment to the lower dollar level, but the adjustment to the block grant would come the succeeding year. That's when they would be in the block-grant mode, when they opened school in 1981–82, they will be functioning under the existing law that was 25 percent less money.

Senator SCHMITT. You're trying to get them to think block grant through the rescission process.

Secretary BELL. Yes, sir; and through the 1981–82 year they can be planning—if our legislative proposals are passed—for the following year when they'll be in the block-grant mode.

PLANNING FOR BLOCK GRANTS

Senator SCHMITT. If the block-grant legislation is not enacted prior to congressional appropriations action, what would you recommend we do?

Secretary BELL. Well, hopefully you could appropriate contingent upon enactment.

Senator SCHMITT. We don't like to do that. You're going against the current there, Mr. Secretary.

Secretary BELL. Well, if we could persuade you to like that, it would make it possible for us to move ahead, and all it would be is a prospective provision in the statute, or in the appropriations that said in the event the bill passes, thus and so will happen; in the event it doesn't, thus and so will happen.

Senator SCHMITT. Many a Senator on the Appropriations Committee has lost an amendment with that argument. I'm not being entirely facetious. You know, we have an institution here. It has certain traditions, and there are some Senators that look beyond administrations in terms of the maintenance of those institutions. We have compromised remarkably in the budget process so far with the institutions of the Senate, and every time we do that there is an increased reluctance to do it again. It doesn't work the other way, it doesn't get easier, it gets harder.

Secretary BELL. Sally Christensen has discussed this eventuality with OMB. Maybe she could make a point here.

Ms. CHRISTENSEN. I would just add that if it came to a point where the committees would not be able to act and if the legislation was not far enough along, we would have to go back to OMB and develop an administration position and come up with a recommendation based on current law.

Senator SCHMITT. But you will be carrying some contingency activity in that respect?

Ms. CHRISTENSEN. We could develop that, that's not to say we're not pushing this as fast as we can.

Senator SCHMITT. I understand, but keep your eye on the process up here because you realize it's not just a question of you liking, hoping we will do that, and Secretary Schweiker made the same request yesterday, but it goes against the Senate rules. Our bill would be subject to a point of order on the floor of the U.S. Senate if we did that.

Secretary BELL. And any Senator could obviously raise that.

Senator SCHMITT. Education programs, as you have found out, are very popular, politically attractive issue to take up on the Senate floor, and it's not clear that we could sustain or override a point of order. It's not clear the majority leader would want us to.

Secretary BELL. Right.

Senator SCHMITT. Once you start that process, it becomes routine for a majority in the Senate to overrule a point of order by the Chair, the whole structure of the Senate starts to deteriorate, and it can hurt you as much as it can help you.

Secretary BELL. I'm sure of that, Senator.

MIGRANT EDUCATION

Senator SCHMITT. We get progressively more specific here, Mr. Secretary. The committee is interested to learn the final placement of migrant education within the block-grant proposal. That last we heard, migrant education was to be moved from the local education agency block grant to the State education agency block grant. Is that correct? Is that what your plan is?

Secretary BELL. Mr. Chairman, Sally Christensen has been involved in this at some length, and I'll ask her to respond.

Ms. CHRISTENSEN. Yes, Mr. Chairman; the current thinking is that it would be placed in the State education block grant.

Senator SCHMITT. Why?

Ms. CHRISTENSEN. Let me back up and just say that we are now looking at the block grants in two respects. One is in total populations served, target populations, and second, in the improvement of services. The migrant program would be located in the target population. I cannot speak now to the specifics of that particular block grant, because that is still in negotiation with OMB, but the migrant program will be in there with those target populations.

Secretary BELL. If you are not aware, Senator, the migrant programs are now run out of the State agency under the existing situation.

Senator SCHMITT. Wouldn't you agree that the impact of migrant education is more of a district impact that a State impact by the very nature of the migrant issue?

Ms. CHRISTENSEN. Yes; and that's why we've moved it, in fact, to the target population group.

Senator SCHMITT. I guess maybe the chairman doesn't understand that within the State education agency block grant there is a target population group category?

Ms. CHRISTENSEN. What I'm saying is that within the target population groups this program is administered by the States. We have not yet worked out the specifics of the organization of that particular part of the bill, whether it would go to the States or the LEA's. All I'm saying is that it is in that section of the bill that targets on those populations, and the migrant program would be maintained.

Senator SCHMITT. You don't think there's an essential difference between a target population grouping and its application by district?

Secretary BELL. You see, the problem is that the State has to cope with the fact that the migrant population is moving across district lines. That's a good reason as I'm sure you know for having it handled out of the State education agency, so that the resources could follow the child.

Senator SCHMITT. On the other hand in many States it's only a few districts that are affected.

Secretary BELL. Yes; but there's still some movement from one district to another. You give that flexibility, if you have it, flowing through the State. Otherwise I don't know how you'd cope with that transferring from district to district.

Ms. CHRISTENSEN. Mr. Chairman, we're aware of the problem, and that's why I say we're taking that into account as we develop the format of the block grant itself, but the point is that is one of the target populations that will be protected. It will be one of the target populations that will be spelled out to be protected in the block grant.

MIGRANT STUDENT RECORD TRANSFER SYSTEM

Senator SCHMITT. What will happen to the migrant record transfer system within this block-grant structure?

Secretary BELL. We are proposing to continue funding that separately.

Senator SCHMITT. Separately as a Federal effort?

Secretary BELL. Yes.

Ms. CHRISTENSEN. Yes.

MIGRANT EDUCATION REDUCTIONS

Senator SCHMITT. Do you see any unusual impact of a 25-percent rescission on migrant education programs?

Secretary BELL. There would be—I think the extent of the impact would be up to how the State determines to allocate these resources.

Senator SCHMITT. Is there an administrative saving in this program at the State level, comparable to the saving in other programs? Theoretical saving?

Ms. CHRISTENSEN. There is some administrative saving, but not comparable.

Senator SCHMITT. There's been more Federal involvement?

Ms. CHRISTENSEN. Right; we estimate that the number of children could be reduced from 400,000 to 300,000. It would be up to the States themselves to cut back on the services and possibly not eliminate any of the children, maybe just cut out some of the institutionalized services.

Senator SCHMITT. I hope you will give us some more information on the record on that, because if I remember correctly from our previous hearings, the testimony was quite strong that the migrant population was being underserved at this time, not overserved.

Secretary BELL. I think that's right.

Ms. CHRISTENSEN. That's true, but I'm talking about the children that are in the institutions now and whether there's a question whether they would or would not be cut out, whether you would eliminate any children or not from the ones that are in the institutions right now.

Senator SCHMITT. I hope you will take a look at that, because of the differences in the migrant education program, and its Federal component. The migrant education program has really not been managed through the States like other programs, isn't that correct?

Ms. CHRISTENSEN. Correct.

Senator SCHMITT. A 25-percent reduction there, would have a potentially greater impact than it would have in other programs, unless you are going to sweep out the Federal involvement.

Secretary BELL. That's right.

Senator SCHMITT. Where the State has the option of administrative savings.

Secretary BELL. Right.

STATE SPENDING ON ELEMENTARY AND SECONDARY EDUCATION

Senator SCHMITT. Secretary Bell, in the decision to propose block grants, did you look at and analyze the nature of State tax revenues and taxable income in the various States and in aggregate throughout the Nation?

Secretary BELL. Yes, we did.

Senator SCHMITT. The reason I ask this question is to look at the capability of the States to pick up any additional costs that may come to them as a result of the block grant program.

Secretary BELL. Right; the nature of some State funding makes a good case for the block grant. Take our largest State, California. An analysis of how they make appropriations and how those appropriations flow to their large number of school districts, and the many, many categorical grant programs that they have on the State level, just argues for a method of giving them more flexibility to harmonize their Federal resources with it.

They have State aid programs in the same categorical areas that we have Federal aid programs, and many of them have to keep two separate sets of books and pass State auditors and Federal auditors and we can save a lot of administrative effort in that regard.

Now, the adjustment to the dollar amount is going to be the difficulty, but if we are going to cut our spending, that is going to be there regardless of whether we stay in the narrow categorical areas or go to block grants, but we did look at the nature of the State funding in that regard. The moneys, as you well know, Mr. Chairman, in title I, flow on the basis of the number of low-income children, and with a few exceptions the dollars flow largely and relate to the taxable wealth or the lack of it as the moneys now move to the districts.

We won't be upsetting that with a formula that will cause the money to flow to the recipients.

Senator SCHMITT. How serious do you think that some States, and I think the majority, have a reasonably large surplus or untaxed income surplus, particularly in the Northeast, some of the formerly industrialized States, where the tax base is eroding, and there are no budget surpluses.

Secretary BELL. I know that's a problem, and I know it is especially in the Northeast States to where you and I come from are in good shape fiscally, so I know that's going to be a problem and we talked about that, and that's going to make it tough to come in with added resources.

In California, proposition 13 is just now being felt because they have used up their large surplus that they had, according to what I'm hearing from Wilson Riles, the State superintendent, and a number of large school system superintendents out there.

So there are going to be some difficulties. We emphasize again that average across the Nation, this cut in total budget will be about 2 percent.

FOLLOW THROUGH

Senator SCHMITT. Follow Through, Mr. Secretary, are you proposing cuts in the Follow Through program along the lines of the 25-percent cuts in other education programs. In spite of the very mixed reviews this program continues to receive, it's a program that impacts a significant number of parents and others, as well as low-income individuals. What can the Department do to insure that the parents and other low-income employees in the Follow Through program are not disproportionately cut from the program, or do you intend to do that?

Secretary BELL. I'll ask Sally to respond to that. She's been working with Follow Through, and is quite knowledgeable about it.

Ms. CHRISTENSEN. We expect, Mr. Chairman, that the cut would go across the board. We would not eliminate any of the projects. There may be some fewer children served, but again if they use the resources wisely, they might be able to extend services to all the children that are already there. We will not cut any numbers. We will merely cut the services in the existing projects.

Let me just say also that is a forward-funded program. The money that is being rescinded will take place in the year coming up so that they will have adequate time to plan for that.

Senator SCHMITT. It says here that the Follow Through program will not be included in the block-grant program. Is that correct?

Ms. CHRISTENSEN. Follow Through is being blocked except for a small portion of it that is some model demonstration projects which remain at the Federal level, but the bulk of the program is being blocked.

AUDITS UNDER BLOCK GRANTS

Senator SCHMITT. I should have asked this earlier, in a more general way, but Mr. Secretary, do you expect any changes in your auditing procedures as a result of the block-grant program?

Secretary BELL. Yes; it will change considerably the auditing. In all of these categorical programs, 40-some of them, the funds have been allocated and the recipients have been accountable for the funds according to quite detailed statutory provisions, and our regulations sadly have gone into more detail than that in many other cases. I think there will be a lighter load as far as getting into the specifics might be concerned for auditing.

Senator SCHMITT. Will you depend on State auditing activities more under the block-grant program and only provide oversight?

Secretary BELL. I think that will be the mode as we go into block grants. We won't need to follow and see that there is compliance with a lot of detail that we have now.

Senator SCHMITT. But there's always the problem and, unfortunately my State has not outgrown it, of the diversion of public funds to other purposes than for which they were intended, either public or nonpublic.

Secretary BELL. I don't think we will be able to let down on our diligence in that regard, and if we do, I think we will be subject to severe criticism from Congress and others. I think we will need to continue to see that the law is complied with. I am finding now a number of instances, even after all these years, where there is still abuse in the use of title I moneys. Even recently some for school building construction that I couldn't believe.

That just indicates that regardless of what mode of funding we are in and what the statutory provisions are, that we are going to have a responsibility in that connection. And for my part I intend to see that we stay on top of that.

INSPECTOR GENERAL

Senator SCHMITT. Do you have an Inspector General as yet?

Secretary BELL. We do.

Senator SCHMITT. To repeat a question asked of the other Secretaries, is he "meaner than a junkyard dog"? [Laughter.]

Secretary BELL. He is the same Inspector General that we had, Mr. Chairman, who had just arrived there and for whom I have a considerable amount of respect.

Senator SCHMITT. But do you fear him. That's apparently the criteria that's been established by the President for Inspectors General. You've got to really worry about turning your back on him. [Laughter.]

Secretary BELL. I would indicate I receive weekly reports from him, and he has pointed out already some practices that I am grateful were called to my attention. Maybe you could call them small things, like cash balances getting out a little faster than they ought to be. That is causing a loss of Federal revenue and an opportunity for others to take advantage of cash flows. So I have found, at least for our IG operation, that they are very diligent and hard hitting. This gives me an opportunity to respond back to the various levels of our bureaucracy and to get on top of some things that they are pointing out.

STATE RESPONSIBILITIES UNDER BLOCK GRANTS

Senator SCHMITT. Mr. Secretary, we're going to ask a number of questions here for the record on ESEA, involving the capabilities of States to administer the kinds of programs we have been discussing. The Congress apparently doubts the State's capabilities since a number of line items have been directed to improving local educational practices in ESEA, title 4(c). As I recall, there are some other programs for strengthening State education as well as management.

Would you comment briefly on whether you feel that those programs have done what they were intended to do, and whether we have the expertise in the States that can handle the kinds of responsibilities that we are shifting back to them?

Secretary BELL. The problem with generalization is you always have to concede some exceptions, and it certainly would be so in responding to this question.

Senator SCHMITT. Will Rogers' response to that would be that all generalizations are false, including this one.

Secretary BELL. That's really well said. I think generally speaking our State education agencies have the capability to assume the responsibility that this proposal provides to them. Interestingly, and probably you wouldn't be surprised to hear this, a number of the larger school districts are concerned about the enhancement of the power of the States. Some of them have even said to me, "Their bureaucracy is almost as bad as yours," in talking about the detail they have to cope with.

I think we have got to be careful that the States don't receive authority in the block grants to exercise more detailed control than we want. We have in the draft bill a provision for the local school district to file a plan as to how they propose to utilize the funds and for comment and review on the part of the State.

We would point out that in most of the States, most of the funds for State education agencies come from Federal sources, and so in administration of Federal programs, they largely function now as our agents. I would also emphasize that we don't plan to just let the block grants be there and walk away. We think we are going to need to provide technical assistance and to observe how the transition works and how the programs will function as we move in this direction.

By and large, I think most of our State departments of education are quite capable of carrying out the responsibilities that they will have with the block grants. I think we are going to have some exceptional problems that we're going to have to deal with.

ADMINISTRATIVE COSTS

Senator SCHMITT. Should we build in any caps in terms of the administrative overhead that a State would put into a block-grant program?

Secretary BELL. I think we should, and we will have some provisions in that regard and as that gets——

Senator SCHMITT. You are taking a different approach from the Department of Health and Human Services, they, I believe, have decided not to try to put caps on administrative overhead.

Secretary BELL. We would like to limit that. We would like to limit the amount of money that can be used for administrative purposes, and probably I wouldn't comment at all on HHS. Probably their situation is not like ours.

We find that State legislatures often will withdraw funding to the States if Federal money can pick it up, and there are several reasons why we think we ought to have some kind of a limitation there.

CAREER EDUCATION

Senator SCHMITT. You are requesting a one-third rescission for career education incentive programs for fiscal year 1981. Does that reflect a feeling that this is an inconsequential program that really has not provided any broad benefits to the student population?

Secretary BELL. I think the decision reflects more a feeling that this is a demonstration-type program, and in these tough times, maybe they can take a bit more of a cut right now. I have been away from the career education program for awhile, and maybe, Sally, you might have some comments about the career education program and its effectiveness.

Ms. CHRISTENSEN. Yes; the program has been effective in helping the States integrate the career education concept into their curriculums and in helping the local education agencies integrate the career education concept into their local curriculums. It has been a model project, a model kind of program.

Under the rescission, we would continue most of the major efforts that have been underway. We would not obviously begin any new programs.

Senator SCHMITT. Isn't the best career education just a good education—vocational or otherwise? Is this an outgrowth of the fact that we're not giving kids a good education? We have to teach them how to have a career, too?

Ms. CHRISTENSEN. I don't think this is an outgrowth of that. I think it's—well, it might possibly be a small outgrowth of that. The idea was to give the States—and this was intended as a 5-year effort, and then it would close down. The legislation provides for a 5-year authorization to provide the States with this kind of integration into the local core curriculum.

Senator SCHMITT. Don't you think that the $10 million you're leaving in the program, could be put in the block-grant program as discretionary money for the States?

Ms. CHRISTENSEN. It is discretionary money on the part of the States.

Senator SCHMITT. You're going to say it has to be used for career program development.

Ms. CHRISTENSEN. That's right. For this last year. Then it goes into the block-grant proposal in fiscal year 1982.

Senator SCHMITT. Will your block-grant proposal say they must put some money in?

Ms. CHRISTENSEN. Absolutely not.

Senator SCHMITT. So that becomes discretionary.

Ms. CHRISTENSEN. That's one of the many small categorical programs that would go into the State block grants, where the States can use the money to improve practice at the local level, and it's completely up to them to use that——

Senator SCHMITT. They can put the money into education for the handicapped if they want to.

Ms. CHRISTENSEN. Exactly. The language will be very general in that particular part of the block. It's up to them to decide how to improve the practice at the local level. They would not have to spend anything on career education if they do not want to.

TEACHER CENTERS

Senator SCHMITT. If the proposed rescissions are approved, would fiscal year 1981 funds be used to fund new teacher centers in those States which do not have any centers?

Secretary BELL. I believe the law requires us to fund a minimum number of teacher centers.

Senator SCHMITT. Do you think it should?

Secretary BELL. If our resources dwindle down to where we are funding a group of weak centers that won't be effective, then I don't think that would be wise.

Senator SCHMITT. How does a teacher center impact directly or indirectly on the education of a young person?

Secretary BELL. I think it provides an opportunity for teachers to grow while they are in service and to prepare materials and to share things that they have learned. So in that regard, I think it has the potential for a positive impact upon the student.

Senator SCHMITT. Do you think there are any abuses in the use of teacher centers?

Secretary BELL. I am not aware of any. I would be surprised if there would be none, but I'm not aware of any. It's a relatively new program. I know there is a great deal of interest in the teacher center program on the part of teachers and particularly teachers' organizations.

BILINGUAL EDUCATION

Senator SCHMITT. Mr. Secretary, with respect to bilingual education, which is a subject that I have had a strong personal interest in since my school days in Silver City, N. Mex., where students whose primary language at home was Spanish and the language they spoke on the playground, among themselves at least, was Spanish. Throughout our joint educational experience, most of them were at an extraordinary disadvantage in competing with me and others in English. The result was they gradually fell by the wayside, not in all cases, but in many. It was obvious then, as it is now, that proficiency in English is a low priority in the society.

The bilingual education program, in theory anyway, was supposed to do something about that. This committee, over the last couple of years that I've been on it, really has received no definitive indication that that program is succeeding.

Now with that as background, you are proposing a rescission of $44 million in fiscal year 1981 appropriations for the bilingual education program. Since this program is not advance funded, these proposed rescissions would affect the current academic year; is that correct?

Secretary BELL. Is that accurate? I think it is.

Ms. CHRISTENSEN. Mr. Chairman, it's forward funded, so it still would affect next——

Senator SCHMITT. It is forward funded?

Secretary BELL. Well, we make grants this year for projects that start the following year.

Ms. CHRISTENSEN. Mr. Chairman, there's a technical difference between what we call advanced and forward funded, as you know, but they both basically support the following academic year rather than the current fiscal year.

IMPACT OF RESCISSIONS BILINGUAL PROGRAM

Senator SCHMITT. OK, that point has been clarified for me and some others.

What impact would these rescissions have on continuing the current level of services provided to children who are not proficient in English to the degree of their peers, at least?

Secretary BELL. First of all, we just admit that there will be 25 percent less money if the rescission is approved. In some cases, the size of the grants that were made would have to be slimmed down accordingly. However, the main impact would be on the number of new grants made. And so there would be belt-tightening there. But hopefully we could encourage more concentration on the teaching of English to Spanish and French and German and Chinese speaking children.

Often, it's an emphasis upon the language that—the original language rather than English as a second language. That has been my criticism of a number of programs. I don't want to typify them all as that. But hopefully they could concentrate heavily upon that. We have spent a lot of money on bilingual education on providing grants to various centers where they train bilingual teachers, and maybe some of the trimming could come out of there rather than the direct teaching of children.

Senator SCHMITT. Mr. Secretary, this is an enormously complex subject. I think that a factor contributing to the complexity is that a large population of non-English speaking people, who didn't have bilingual programs became proficient in English. They learned to work, survive, and advance in our society. They wonder why others can't do the same. This includes many of my constituents, who are Hispanic and who wanted their children to learn English and saw that they did.

But that doesn't necessarily mean there's not a problem.

Secretary BELL. That's right.

Senator SCHMITT. We all know there's a problem. Part of that problem is that in the first few years of a child's education, if they are not proficient in English, they are going to lose in other aspects of their education. The argument has been made, that in those first few years, where it is feasible, instruction should be conducted in the language of the child. How do you feel about that?

Secretary BELL. Well, there are many approaches to this. The English as a second-language approach and the advocates of that allege you're going to learn English more quickly if you are compelled at the outset to communicate in English or you don't communicate.

Senator SCHMITT. That's the theory in most advanced and intensive language courses throughout the world, is it not?

Secretary BELL. Right. It really is. But still I think it just makes sense for the instructor, if he or she can communicate in the child's language, to do that. My concern is, maybe in some instances there has been too much preoccupation with communicating in the Spanish or the French mode, rather than pressing hard to move the youngsters into the proficiency in English.

I acknowledge it's a very complex problem, and since I took action to withdraw the bilingual regulations, as you well know, I have had a considerable amount of instruction in this whole matter. A lot of it I haven't asked for. But it's an enormously complex problem.

I would also like to say while we're on the subject, Mr. Chairman—I hope I'm not wandering from the point you're making—that it's well-known that I asked that bilingual education not be placed in the block grant. Now the reason I did that is because of the nature of the block grant. We are allocating bilingual resources now to about 600 school districts where there are concentrations of these children and where the funds can be targeted. If we placed it in the block grant, it would be theoretically possible for 16,000 school districts to utilize Federal money in bilingual education, because once you put it in the block grant, then if you want to, the local school district can deploy money that used to be used for title I or for the handicapped over in that area. So that's the reason that I wanted the money kept out of the block grant, so we could continue to focus and target the resources where there were concentrations of these children.

Senator SCHMITT. Well, I hope that everyone realizes, that those of us on the committee who are very supportive of bilingual education, were supportive of your withdrawal of those regulations. We were supportive because of the general affect the regulations would have on State education programs. The specific bilingual character of the regulations, however, did not pose a problem.

This committee had taken that position last year.

Secretary BELL. Right.

VALUE OF NON-ENGLISH LANGUAGE SKILLS

Senator SCHMITT. Another aspect of bilingual education is to expand the reservoir of non-English-language capability that we have in this country. We are an increasingly interdependent world, particularly with respect to the Western Hemisphere, and it would be hoped that there was some way in which a person that begins life with a bilingual capability can retain that throughout their lives.

Now do you think that should also be a function of the bilingual program, or is that a function of some other aspect of our society?

Secretary BELL. I don't think it ought to be a function of the bilingual program. I think that other funds ought to be utilized for that purpose. I think the bilingual program ought to be concentrated on teaching youngsters with English language deficiencies.

I agree with you that we should be doing more to advocate the teaching of foreign languages in our schools, and we have neglected that since the days when the National Defense Education Act was passed after Sputnik happened, and we became alarmed and began to concentrate on the deficiencies in math and science and modern foreign languages. And I think that it's a shame; it's almost a national disgrace that we are neglecting the teaching of other languages.

I wouldn't want to see that confused with the purpose of this program, which is education for youngsters whose mother tongue is other than English.

FEDERAL PERCENTAGE OF BILINGUAL FUNDS

Senator SCHMITT. Mr. Secretary, do you know what the percentage of total expenditures for bilingual education is represented by Federal Government funds?

Secretary BELL. I think it would be quite low, but I wouldn't know what it is. Maybe some of my colleagues at the table may have a number on that.

Ms. CHRISTENSEN. No; we were in the process of looking into that recently. We will furnish that for the record. I do know the percentage is quite low.

Senator SCHMITT. You say the Federal contribution is low as a percentage factor?

Ms. CHRISTENSEN. That's correct.

[The information follows:]

FEDERAL EXPENDITURES FOR BILINGUAL EDUCATION

A variety of Federal, State, and local educational programs include bilingual education among the services they provide. In large part because of the reporting burdens involved, no one has attempted to identify all programs which might legitimately be termed bilingual education and calculated the expenditures associated with them. There are no data, therefore, to support an estimate of either the total expenditure for bilingual education within the United States or the portion of that expenditure supplied by the Federal Government.

It may be instructive to note that the title VII basic grant program provides an average of $325 for each participating pupil and, in 1978–79, school districts across the Nation spent an average of $2,021 per pupil. The latter figure accounts for the entire educational program and includes spending on all pupils from Federal, State, and local funds.

PURPOSE OF BILINGUAL PROGRAM

Senator SCHMITT. Do you think bilingual funds should be applied to English proficiency in general or just to English proficiency problems that are related to speaking what is recognized as a foreign language as a child?

The point I'm trying to make is, in our inner cities and in some other environment, children enter the school system who are not proficient in English—as we know it.

Secretary BELL. I don't think our bilingual funds ought to be spent for that purpose. I think other funds ought to be spent.

Senator SCHMITT. How do you draw the distinction, then, between what you said earlier, Mr. Secretary, about English proficiency? How can you draw the distinction between a child that is speaking what we call a foreign language and the child who is speaking a form of English that is not competitive within the society? It seems to me it's the same thing.

Secretary BELL. I draw the distinction as it was drawn in the Lau case where the courts found that these youngsters who grew up speaking another language and whose mother tongue was not English, I think that's where these resources ought to be targeted. There are plenty of people who have grown up and don't have a very good mastery of the English language, but there's all kind of other general education money available to them. And one of the most commonly taught subjects in academe is English and English grammar and composition and English literature.

I don't think we ought to confuse the two. I don't want to allege that we're doing as good a job as we ought to do in that regard. This was discussed at one time in a Cabinet meeting, and a colleague said, "Well, we can't even teach English, let alone these other languages," and this was a misunderstanding of the purpose of the bilingual program, which I think is to concentrate on those youngsters whose mother tongue is not English and who grew up speaking another tongue other than English.

Senator SCHMITT. Well, if you have tried to converse with some young people in the Washington area and elsewhere—it's not confined to Washington—you will find it's very difficult to converse with them, as difficult as it is to converse with young people who grew up speaking Spanish in New Mexico.

Secretary BELL. Yes.

Senator SCHMITT. And I hope we can continue this discussion, because I don't think you're solving the other problem, any more than you're solving the bilingual problem.

Secretary BELL. I would say the other problem is not a Federal priority. It ought to be a State and locally funded priority.

Senator SCHMITT. One might argue with you, if the bilingual thing affects a local district more than it does a national effort, too. And we made the decision that it is a national question. Education, Mr. Secretary—and I'll yield to the chairman here in just a moment—education is a national priority. It affects our national interests. If the average education of our population is not sufficient to support their voting with enlightened self-interest when they become voting adults, then democracy is going to fail.

Secretary BELL. Yes, I'm aware of that. It's a question, as I said in the beginning of my testimony, of what is the Federal role, given the fact that we delegated the responsibility for education to State and local sources? Then what's the Federal role? And I've said, at least to my mind, the Federal role is to target our resources where there are deficiencies in education that are nationwide in scope and where there are certain target populations that justify our concentrating our resources on.

I realize, Mr. Chairman, you can come back and say that's the teaching of English grammar and mathematics, but that generalizes it so far to where you can't make a specific difference.

Senator SCHMITT. Unfortunately, the deficiencies in education have become nationwide in scope. You and I are sympathetic philosophically on this issue, but we have to be very careful that we don't forget that people are a national resource.

Chairman Hatfield, welcome.

Senator HATFIELD. Applesauce is, but apples are. Thank you, Chairman Schmitt.

I join Chairman Schmitt in welcoming you to this subcommittee. I'm proud to be a member of this subcommittee under Chairman Schmitt's leadership.

I also want to say that Education is very fortunate in having a man of your very great ability and outstanding achievement in this particular Department.

Secretary BELL. Thank you, Mr. Chairman. I appreciate that compliment.

MAINTAINING NATIONAL OBJECTIVES UNDER BLOCK GRANTS

Senator HATFIELD. I appreciate that very sincerely because you've been on the firing line of education; you've been out there with the troops so to speak, and you know precisely some of the problems.

I also can appreciate, Mr. Secretary, that there must be some degree of ambivalence and some difficulty in taking the leadership and making these major cuts in programs that you probably had a part in helping to develop over the years, at least through your consulting, but I also believe that in this effort to reduce and consolidate, which reflects a certain change in our national life from some of the Great Society philosophies and Great Society efforts which did not prove to be successful and some of the new directions that this administration is taking, that we are going to hopefully be more successful in returning more local control to education and that many of these problems that have been plaguing us for many years can perhaps be assisted by changing from categorical to block grants.

I want you to know that I have supported the Department of Education, its creation, and I continue to support the Department of Education. I don't think, though, it is inconsistent with my support for program consolidation and for the new changes that are occurring.

Mr. Secretary, my concern this morning is perhaps more in the area of Federal priorities that will be reflected through the block-grant system. I have had great interest over the years in such areas as education for the handicapped, library services, and other such programs that represent a fair degree of specialization and perhaps have not yet in all instances developed a major constituency that can assist them in getting their priorities considered.

So my question is: What assurance can you give that special needs will be addressed in the block-grant system? And the second part, will States have to submit plans for using funds through the block-grant system to the Department of Education, and can the Department of Education approve or disapprove of such plans, if they are required?

Secretary BELL. At the present time, Mr. Chairman, the bill that we have drafted that is now under review at OMB would require the filing of a plan but would not give the Department the authority to approve or to disapprove them, but it would give us responsibility to review and comment upon the plan.

And that gets to your other question, which is a very significant one that concerns me a great deal, and that is, how can we be sure that these funds will be focused upon these target populations that we are so concerned about? And I guess that assurance has to be contingent on the level of trust and confidence that we have in local and State school boards. And if you don't have a high level of trust there, then I think there is reason for considerable concern and apprehension. I think most of the school boards and local school superintendents are conscientious and responsible and concerned and that they hold open meetings where the constituencies that we are concerned about can be heard. And I think that they will be responsive to these concerns.

Now the fact that we have spent the years that we have in targeting title I moneys upon these populations, there is a constituency there; there is a level of expectation; there is a part of the school employment structure that relates to them. And so I think we can more safely move to block grants than we could 2 or 3 years after the Elementary and Secondary Education Act was passed in 1965.

Now I just emphasize, Senator Hatfield, you have asked a very insightful question that is just at the nub of the whole thing, and it just relates to how competent and responsible these local school boards and their superintendents are going to be.

FEDERAL ROLE UNDER BLOCK GRANTS

Senator HATFIELD. Mr. Secretary, I agree with your philosophical analysis of this situation, that it comes down to, ultimately, a base of trust. Let me sort of draw a little homey analogy.

I think there are many areas of our life in which we operate on a base of trust. We, also, within that same relationship, whether it's between parents and children or as between even a husband and wife and other such institutional relationships that we may have, there are also sort of what we might call the persuasive elements that are instruments that we are aware that exist.

I have a basic trust, say, in my 16-year-old daughter in lending her the keys to the car, but she knows very well that if there is a rupture or reason to have that trust relationship ruptured, that she is not going to get the keys to the car. It's not a matter of a club or a threat; it's just one of those unspoken things that we know exists.

Do you not believe that in receiving these plans—and even though you may not have the veto power—that there are other ways that the Department can bring influence to bear, let's say we have 47 States that are responsive and 3 recalcitrant States that need some kind of guidance and persuasion. Are there periodic meetings that you could have with the superintendents? Are there resources that you could make available, consultive resources and other things, that would demonstrate the validity of these priorities, of their maintaining these priorities, without them becoming clubs but yet persuasive instruments?

Secretary BELL. Yes; I think our role under block grants needs to emphasize technical assistance and leadership and persuasion. There's no doubt in my mind that there will be certain States where we will have to concentrate a great deal of that.

Ideally, if the Department of Education could—and I don't want to imply that we don't have; I just say we don't have enough of this—if we could have distinguished educators that are renowned for their competence and their expertise, even more than we do have, then the prestige of that would be more persuasive. And I am hopeful that we can do more of that.

I would like to have an opportunity to bring some very distinguished scholars, just for a brief time, to serve with us on a rotating basis. This relates to the suggestion that you made that we ought to be concentrating on places where we can persuade adherence to higher standards.

ASSESSMENT OF BLOCK GRANTS

Senator HATFIELD. I think that's an excellent idea, especially as you launch this whole new program. But it also might be well to make known, if you think it is an appropriate thing to do, that at the end of an 18-month period or perhaps a 2-year period, the Department of Education is going to make a thorough comprehensive assessment of the quality of education impact that this has had on the quality of standards of education, State by State, after we have switched from the categorical to the block grants, and with that kind of a publicity focus on whether the States have demonstrated capability and build up that concept that "Here is your chance to demonstrate your competence or your incompetence; here's an opportunity to demonstrate your capability or your lack of capability" and to get that kind of a study that would be an objective, outside—perhaps headed by a blue ribbon commission of some kind—I'm just evolving this off the top of my head, so that States are looking down the road to a time of account-ability, to a time of review, to a time of assessment.

You know, you might even carry with that, as one who is a Republican Senator, that I am sure the Members of Congress who will be voting this change will want to have that kind of information, and I, for one, am going to support this on a provisional basis. And if it proves correct, so be it, and I will be the first to applaud, but on the other hand, I want to say very clearly for the record that if this proves to be a diminishing influence on the standard and quality of education of this

Nation, I will provide leadership to restore the categorical system or whatever other system that would be better than the block grant.

I just don't think we ought to at any time get ourselves locked into a system for the sake of the system.

Secretary BELL. I surely agree with that, Senator. We have put a small set-aside provision in the draft of the bill that's now under consideration by OMB—hopefully we can get it to you soon—that would provide us a very small sum for evaluation purposes that would fit right in with what you're saying.

And I think if the record of this committee showed that we were going to be responsible to come back here and respond in 18 months or sometime that you determine with a report and a comprehensive evaluation and that we were subject to oversight, it would strengthen us in that regard, and that might be very helpful in answering a lot of questions that many are raising at the present time about the whole block-grant approach.

I agree 100 percent with just what you said.

Senator HATFIELD. Thank you very much, Mr. Secretary. And I want to add my congratulations as well to the very extraordinary staff and assistant leadership that you have surrounded yourself with at the table. I have read most of their vitas, and I think it's an extraordinary team that you have put together.

Secretary BELL. Thank you, Mr. Chairman.

Senator HATFIELD. Thank you, Mr. Chairman.

Senator SCHMITT. Thank you, sir, and we will work with you, Mr. Secretary, to develop the theme that the chairman has just outlined and see what kind of timeframes are appropriate, what legislative language or report language is necessary to make sure that everybody understands that is going to happen.

Secretary BELL. Very good. That would be very helpful.

BILINGUAL EDUCATION

Senator SCHMITT. Our staff will be back in touch with you on it.

Back to bilingual education. There are currently funded under certain priority areas, discretionary grants to local education agency support services, which include instruction, materials development, research and evaluation, and projects to promote minority language desegregation.

Will the proposed rescissions for fiscal year 1981 affect each of these areas individually, or do you establish priorities by which certain areas will not be affected?

Secretary BELL. I will ask Sally to respond to those specifics, if you will, please.

Ms. CHRISTENSEN. Mr. Chairman, we have tried to prorate the reduction percentagewise. We have done one thing, though, and that was to hold harmless the training because we felt that was a distinct Federal responsibility, and there is such a shortage of bilingual teachers nationwide that we did not cut the training money.

Other than that, the largest portion of the rescission would come out of the basic grants to school districts. There would be some projects or children eliminated as a result of that. But the remaining portion of the cut would be spread among the materials developed—curriculum development, the clearinghouse, and the other activities.

Ms. CHRISTENSEN. In other words, there was a prorated reduction with the exception of the training, because there was a great need there.

Senator SCHMITT. I think you said earlier you were unwilling to say how many, if any, limited English-proficient children would be affected by the proposed rescissions and block grant.

Ms. CHRISTENSEN. The number of children could be reduced by about 97,000 or 98,000 as a result of the rescission.

Secretary BELL. That would be if we applied a straight percentage to the number served.

Ms. CHRISTENSEN. That's right. It would be up to the individual projects to decide how they wanted to apply the reductions.

Now there again we do have an increase in the following year of 7 percent. This is a one-time reduction to help meet the economy needs right now.

Senator SCHMITT. You are saying that you are not only cutting out what may be the federally induced overhead in the administration of bilingual programs, you are actually going to cut into the muscle a little bit?

Ms. CHRISTENSEN. The 25-percent reduction would possibly cut some of the children; yes.

Secretary BELL. I don't think it would be honest for us to allege that that isn't likely to happen, much as it would be better for us to say that it wouldn't.

IMPACT ON STATES

Senator SCHMITT. Have you explored with any of the States with major populations being served by the bilingual program, whether they, for 1 year, can pick up the slack?

Secretary BELL. I know in particular in the State of California, that the probability that they are doing this is not very good, because of their struggling under the proposition 13 that is now reaching them. Their budgets are going to be quite stressed there.

I think the State of Texas it might be quite different, particularly with the impetus of the widely known court case down there.

I expect more resources, State and local resources, to be coming into the State of Texas for this purpose.

But I think the California situation may be slightly in the other direction, just from the knowledge that I have, talking about two of our large States with Spanish-speaking populations.

Senator SCHMITT. Was there any thought given in the States, at least in this 1-year period, where there are some special problems, of providing flexibility in the use of other block funds for the bilingual program? Is the priority of that program high enough that you might absorb the cut elsewhere?

Secretary BELL. The spending of moneys in the block grant for bilingual education would not be permissible under the provisions that we have.

Senator SCHMITT. You wouldn't want to define some fairly narrow exceptions where that would be possible for a 1-year period?

Secretary BELL. I think that if we permitted that, we would be opening the block grant program up to some activity that we may not want to do.

Now, if under the rubric or under the concern for a disadvantaged child under title I, if you find that problems for a disadvantaged child to learn is an English-proficiency problem, they can still use the money for that purpose. What they cannot do is identify bilingual education as a priority as such.

The other thing we should emphasize, of course, is the block grant won't be in effect until 1982–83. And that this rescission is coming in the previous year.

Senator SCHMITT. That's true.

A final question, Mr. Secretary, and then we will let you go. We discussed earlier, that the primary purpose of the bilingual program is to teach students with limited English proficiency.

A 1978 study of the title VII bilingual education program found that less than one-third of the participating students were of limited English proficiency. The Congress amended the law in 1978 to limit participation of English-proficient children to 40 percent.

Those figures aren't consistent with our basic purpose, are they?

Secretary BELL. They really don't. I'm surprised at those numbers. They really don't.

Senator SCHMITT. Will you be proposing any amendments to existing law?

Secretary BELL. I'd like to review that, Mr. Chairman. It sounds to me like something ought to be done there.

But, in addition to that I think administratively we ought to be reviewing the proposals that come into us that we fund, and it sounds like we ought to be doing a better job there as we review proposals and fund project proposals that come into us. It looks like we ought to be a little more diligent on focusing where the priorities ought to be.

Senator SCHMITT. The title VII programs include teaching non-English proficiency to English-proficient children.

Secretary BELL. Yes.

Senator SCHMITT. If you do not agree that that's the primary function, at least I think you ought to consider that aspect of things. I know you will run into a buzzsaw up here if the result is a decrease in non-English-language proficiency in the student population.

Secretary BELL. Yes, I would expect that.

I just feel when resources are so scarce, that we ought to be focusing as directly as we can on the problem that brought about the funding and the Congress passing the law in the first place.

Too often we wander off into the field somewhere.

Senator SCHMITT. Mr. Secretary, why don't you go to your meeting and I will go to my lunch, and hope that you have enough energy to return and be with us at 2:30 p.m.

Secretary BELL. I think my meeting will be over at 2:30, and if not I will try to excuse myself at that time so I can be here promptly.

Senator SCHMITT. If it starts to be a problem, would you have your staff notify us when you would be available. We would like to press on this afternoon.

Secretary BELL. I think I will be able to be here by 2:30.

Senator SCHMITT. I think we will be able to finish here by this afternoon. Do you have a late afternoon constraint of any kind?

Secretary BELL. No; I will be able to stay, Mr. Chairman. I have cleared my calendar so I can spend whatever time you require here.

SUBCOMMITTEE RECESS

Senator SCHMITT. Then the subcommittee will stand in recess until 2:30 p.m., or subject to the call of the Chair.

[Whereupon, at 12 noon, Thursday, April 2, the subcommittee was recessed, to reconvene at 2:30 p.m. this same day.]

(AFTERNOON SESSION, 2:40 P.M., THURSDAY, APRIL 2, 1981)

DEPARTMENT OF EDUCATION

STATEMENT OF TERRELL H. BELL, SECRETARY OF EDUCATION

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The subcommittee will come to order. We shall continue to receive testimony from the Secretary of Education, Mr. Bell.

Secretary, welcome back. I hope your meeting went well.

Secretary BELL. Thank you very much, Mr. Chairman.

Senator SCHMITT. Now we're happy to have Senator Eagleton here. Senator, are you under a time constraint?

Senator EAGLETON. No, thank you, Mr. Chairman.

Senator SCHMITT. Let me go through a few questions on impact aid, and then I'll yield to you. We're operating under a very, very liberal 5-minute rule, it turns out.

Senator EAGLETON. Very good.

IMPACT AID—BUDGET PROPOSAL

Senator SCHMITT. Mr. Secretary, how will the fiscal year 1982 budget request for impact aid, which represents an increase of $389 million in assistance, affect the current level of program services nationwide and in the various categories of States, depending on the various kinds of equalization formulas they may have?

Secretary BELL. As we move to funding only what is called Super A districts, those A students whose parents both live on and work on Federal property, there's no question that it's going to touch on a large number of school systems. Sally Christensen could give some specifics on how this is going to affect certain districts and the dollar levels.

Ms. CHRISTENSEN. Mr. Chairman, we would make payments only to what we call the super A districts—those districts whose enrollment of A children is 20 percent or more of their total population. We would make payments at 90 percent of entitlement.

For children associated with low-rent housing in these districts, we will make payments at 20 percent of entitlement. We will eliminate all payments for other A children in nonsuper A districts as well as for all B category children.

That would eliminate about 3,600 local school districts, but we would maintain payments to the 330 or so that are extremely hard hit, that relied to a large extent on these Federal payments as a large percentage of their total school support.

IMPACT AID—EQUALIZATION

Senator SCHMITT. Now do most of those districts lie in States that have established equalization formulas?

Ms. CHRISTENSEN. Some of them do and some of them don't. We'd be glad to supply a list of that.

Senator SCHMITT. Would you supply the committee with a breakdown, State by State, of how you see that will work?

Secretary BELL. I think there are some, Mr. Chairman; there are some that don't.

Senator SCHMITT. Do you agree that States that have an equalization formula will have less of an impact on this kind of cut than will those without it?

Secretary BELL. Right; that was the point I was making and pointing out that in your own home State, one of the best equalization formulas in the country is operating there.

[The information follows:]

SUPER "A" DISTRICTS IN STATES APPROVED UNDER THE STATE EQUALIZATION FORMULA

States approved under the Impact Aid equalization formula and the number of Super "A" districts in each State:

Alaska	-	32
Kansas	-	3
Maine	-	5
Michigan	-	4
New Mexico	-	9
Total		53*

* 16 percent of the Super "A" districts fall into the above 5 States.

SAFA SUPER-A DISTRICTS FOR FISCAL YEAR 1980

	Total Average Daily Attendance	3(a) Average Daily Attendance	Impact Percent
ALASKA			
Alaska State Dept. of Ed	8,657	7,046	81.3
Klawock City S D	103	58	56.7
Hoonah Pub Schs	177	71	40.2
Kake City S D	156	93	59.7
Craig Pub S D	88	22	25.2
Unalaska City S D	148	37	24.9
King Cove City S D	91	51	56.8
Bristol Bay Borough S D	203	91	45.2
Dillingham City S D	307	90	29.4
Saint Marys City S D	95	91	95.0
Galena City S D	135	135	99.9
North Slope Borough S D	867	867	99.9
Northwest Arctic S D	1,344	993	73.8
Bering Strait S D	401	399	99.5
Lower Yukon S D	934	926	99.1
Lower Kuskokwim S D	1,528	1,089	71.2
Kuspuk S D	293	237	80.8
Southwest Region Schs	488	484	99.2
Lake & Peninsula S D	337	310	92.1
Aleutian Region S D	110	97	88.5
Pribilof S D	162	156	96.4
Adak Region Schs	549	547	99.6
Iditarod Area S D	265	219	82.7
Yukon Koyukuk S D	555	487	87.7
Yukon Flats S D	290	206	71.1
Delta-Greely S D	800	361	45.1
Alaska Gateway Schs	386	157	40.7
Copper River S D	540	144	26.6

	Total Average Daily Attendance	3(a) Average Daily Attendance	Impact Percent
Chatham S D	215	177	82.0
Southeast Island S D	266	248	93.0
Annette Islands S D	308	308	100.0
Chugach S D	54	13	24.5
KANSAS			
Powhattan Unif S D No 510	135	91	67.4
Junction City Unif S D No 475	6,136	2,780	45.3
Fort Leavenworth Unif S D No 207	1,706	1,705	99.9
MAINE			
Limestone Sch Dept	1,674	1,038	62.0
Winter Harbor Sch Dept	157	67	42.6
Indian Twp Sch Comm	82	82	100.0
Indian Island Sch Comm	88	79	90.1
Pleasant Point Sch Comm	169	168	99.4
MICHIGAN			
Oscoda Area Schs	3,379	954	28.2
Brimley Pub Schs No 14	420	91	21.6
Gwinn Area Comm Schs	2,816	1,421	50.4
Baraga Twp S D	674	155	23.0
NEW MEXICO			
Tularosa Mun S D No 4	1,253	461	36.7
Indep S D No 22	5,486	4,346	79.2
Dulce I S D No 21	577	537	93.0
Jemez Springs Mun Schs	522	248	47.4
Gallup-McKinley Co Pub Schs	12,573	7,749	61.6
Bloomfield Mun S D No 6	2,540	539	21.2
Bernalillo Mun S D	2,822	1,338	47.4
Cuba Ind Schs	818	509	62.1
Magdelena Mun S D No 12	404	195	48.4

IMPACT AID—EFFECT OF BUDGET POLICY

Senator SCHMITT. Now have you done any analysis to see what the capability of a State is to replace impact aid funds if they, in fact, fall below the 20 percent but nevertheless are important to their education program?

Ms. CHRISTENSEN. We have done an analysis—and I'll supply this for the record—that shows the proportion and number of districts whose impact aid payment represents less than 1 or 2 percent or even less than 5 percent, of the total operative expenses. Even some of the A districts that we're talking about that would be eliminated, receive less than that for their total operating expenses. We feel this is an appropriate amount that they could absorb.

[The information follows:]

A and B 1981 continuing resolution amount as percentage of total current expenses (TCE)

	Number of Districts
Less than .5 percent	1,787
From .5 through .999 percent	728
From 1 through 1.999 percent	465
From 2 through 2.999 percent	196
From 3 through 3.999 percent	114
From 4 through 4.999 percent	57
From 5 through 9.999 percent	200
From 10 through 14.999 percent	93
From 15 through 19.999 percent	88
From 20 through 29.999 percent	78
From 30 through 39.999 percent	50
From 40 through 49.999 percent	28
From 50 through 59.999 percent	9
From 60 through 69.999 percent	16
From 70 through 100 percent	2
Total	3,911

IMPACT AID—INDIAN CHILDREN

Senator SCHMITT. Indian students are defined as A, right, whether they live on or off the reservation?

Ms. CHRISTENSEN. They are primarily A students, yes.

Senator SCHMITT. Primarily. Is there some exception where they are not?

Ms. CHRISTENSEN. There may be some Indian students in some LEA's, but not the LEA's that are predominantly Indian LEA's.

Secretary BELL. That would apply where they are not concentrated—like Indian students, say, in Minneapolis, just like there are other students in Minneapolis going there. However, they are not eligible under our program. I will provide for the record the definition of Indian lands.

[The information follows:]

INDIAN LANDS

Only children who reside on Indian lands described in clause (A) of section 403(1) of Public Law 81-874—"* * * real property held in trust by the United States for individual Indians or Indian tribes, and real property held by individual Indians or Indian tribes which is subjected to restrictions on alienation imposed by the United States * * *"—are identified as Indian children eligible for a payment under the impact aid program. Unlike other aspects of this law, the residence or employment status of the parents of these children are not considered part of the eligibility criteria for payment for these children.

IMPACT AID—SCHOOL CONSTRUCTION

Ms. CHRISTENSEN. That's right. The children on the Indian reservations have been one of our top priorities. We have, in fact, included a $14 million increase in our construction budget under impact aid to take care of schools attended by Indians that have life safety hazards, Indian schools, and schools on Federal property.

Senator SCHMITT. Will this in any way compromise what seems to be the prevailing desire—that we go to a day school concept and try to move away from the boarding school as much as possible? Are you familiar with that effort?

Ms. CHRISTENSEN. I'm familiar with the overall problem, and I don't think that this would have an impact on that.

Senator SCHMITT. It would have an impact, if you are going to provide construction money for schools that under this alternative philosophy might then turn out to not be needed.

Ms. CHRISTENSEN. We have quite a backlog of priorities in this area. These are schools that are needed where there are either no existing public school facilities or where the existing facilities are hazardous to the life and safety of the children.

Senator SCHMITT. We may pursue that a little bit more for the record.

[The information follows:]

SCHOOL CONSTRUCTION

Grants are awarded under section 14 (a) and (c) of Public Law 81-815 to local education agencies that are providing or that will provide a free public education for children who reside on Indian lands.

Boarding schools are usually maintained by the Bureau of Indian Affairs. The schools that we propose to rehabilitate or construct with the funds requested under section 14 (a) and (c) are not the BIA boarding schools.

DEFAULTS ON STUDENT LOANS

Senator SCHMITT. Senator Eagleton?

Senator EAGLETON. Thank you, Mr. Chairman.

I have three areas that I would like to pursue with you, if I could, Mr. Secretary. First the default on student loans. You mention that on page 5.

Give us your views on how we could do better in having these defaulted loans collected.

Secretary BELL. I think we need to do more to enforce our requirements on due diligence, Senator Eagleton. The lenders, before they can declare default, need to prove that they have been diligent in trying to collect, and I think we need to work harder on that. I would indicate that from the time I was here as Commissioner in 1976 until now, the loan program is in a lot better shape. I have inherited a better loan program than I left here in 1976, and I certainly express my commendation to those who have made that progress. But we still have some things to do.

When I was here, the campus-based national direct student loan program had a default rate that was about half that of the federally administered guaranteed student loan program. Now the situation is reversed, and the high defaults are in the other program.

Possibly Jim Moore, who administers that program, could comment a bit on the loans. If you would, please, Jim.

Mr. MOORE. Thank you, Mr. Secretary. And you are right. The ratio between the default rate in the GSL loan program and the campus-based operation in the last 5 or 6 years has just reversed.

Today, as far as NDSL is concerned, the overall default rate last year, and again this year, has begun to go down. This reflects the efforts of the 3,400 schools that run that program to reduce their default inventory either by more diligent use of collection agencies or by assigning the notes to the Department for collection.

On the insured loan side, we are phasing that program out in favor of a GSL run by State agencies. As has always been the case, the State loan guarantee agencies, because of their closer relationship to lenders and smaller borrower populations, have managed to maintain lower default rates in their programs than we have been able to maintain.

The other thing is simply a matter of public image. About 4 or 5 years ago, as the Secretary properly points out, if you mentioned student loans anywhere to people who knew nothing about it, you got one response: "Oh, those are the loans the kids won't pay back." And this is what the kids told each other on the campus. Today it's just the reverse.

We have, for example, in the hands of the Department of Justice about 30,000 cases for litigation of defaulters in the Federal program that we have been unable to collect, and we are sending more cases over there as the Department can handle it.

Senator EAGLETON. When you send a case or cases over there, do they just sit there?

Mr. MOORE. No, sir; they not only take them and work on them, but we have made some allocations of salary and expense money from the Department of Education to the Department of Justice to provide paralegal and clerical support so that they can prosecute these with vigor. In fact, there are certain Assistant U.S. Attorneys who have literally made a career out of collecting on defaulted loans, which we think is a good idea.

My point is that by 1981 the campus approach is different. It is now clear that these obligations must be repaid to all incoming borrowers. You have provided legislation which for the first time allows the college to deny a loan to a student if the college believes that he might not pay it back.

On the GSL side, the same thing is true. And of course the proof there is the fact that the rate has gone down. So we have turned the corner on this one.

DEPARTMENT APPOINTMENTS

Senator EAGLETON. Very good. Somebody just perchance handed me the witness chart—you know, where they put all the names on the chart. I notice, Mr. Secretary, that all six people surrounding you there have the word "acting" in their title.

Secretary BELL. We are quite a thespian society right now, if I can try to be humorous. [Laughter.]

Senator EAGLETON. I'm not trying to denigrate any of those fine people there, but when do you think some of these "actings" are going to be removed? Not the individuals, but that word.

Secretary BELL. The President has approved the appointment of an Under Secretary, William Clohan, and pending his FBI clearance, he will be before the Senate for his confirmation hearings, and a general counsel, Dan Oliver. Vincent Reed, the former Superintendent of the District of Columbia schools, has agreed to join us as our Assistant Secretary for Elementary and Secondary Education. The President has signed off on those appointments, and as soon as we get clearance, we can move ahead. Also our Inspector General has been approved.

Senator EAGLETON. Has the name of the Inspector General been made public?

Senator SCHMITT. No; the only thing we know is, he's "meaner than a junkyard dog." [Laughter.]

Secretary BELL. Senator, he's the same Inspector General we had that was removed, James B. Thomas. They have reinstated him. The other appointments are largely in the pipeline. I just came from a meeting where we discussed that, and the momentum is picking up on these clearances. The big delay is the full field investigation of the FBI; that is taking a lot of time.

Senator EAGLETON. May I continue?

Senator SCHMITT. Please go ahead.

OCR BUDGET REQUEST

Senator EAGLETON. Give me the figures on OCR. Give me the Carter figure and the Reagan figure. I don't have the figures here.

Secretary BELL. Mr. Seal could provide that, I think. John, if you have it there?

Senator EAGLETON. Give me fiscal year 1981. Give me Carter 1982 and Reagan 1982 if you have it.

Mr. SEAL. Senator, in 1982, the Carter budget proposed $50,971,000. The Reagan budget for 1982 has $49,396,000.

Senator EAGLETON. A very modest cut.

Mr. SEAL. Yes.

Senator SCHMITT. Senator, if you would yield, you did ask for the comparable 1981 continuing resolution, and that was $46,915,000.

Senator EAGLETON. $46.9 million, good. Thank you.

IMPROVING READING SKILLS

Finally, we all have our pet interests and our pet peeves, Mr. Secretary, and my pet interest is reading skills. Could you pontificate a little on reading skills and what role, if any, the Department of Education, in your view, could be of any help in the enhancement thereof?

Secretary BELL. Yes; I think we know a lot more about how to teach reading than we practice in education, pedagogy being quite an inexact science. This has been a problem through the years. I think it's well demonstrated now from the research that a strong phonetic word-attack skills program brings considerable success. Our National Institute of Education has been working in this area extensively, and I think the thing that would do the most to help us in improving the teaching of reading would be to get more of the school systems to become more diligent in applying the results of what we know about how to teach reading. If some way we could get our title I funded projects to replicate some of the outstanding accomplishments that there have been in reading instruction in title I, it would be helpful.

I might point out that in the latest report from the National Assessment of Educational Progress in evaluating the teaching of reading and mathematics, the achievement of 9-year-old students in reading and mathematics nationwide has shown a dramatic increase, an upward trend.

Now at the same time—that's the good news—there's a continued decline in the achievement of 17-year-olds that we have heard so much about in the decline in college entrance test scores. So I think we are doing a better job than we have been doing in teaching reading, particularly to elementary school students.

Senator EAGLETON. Very good. Well, I know you are well grounded in the field, and I have very high respect for you.

Secretary BELL. Thank you.

Senator EAGLETON. I would hope it could be said after your tenure as Secretary that the biggest single achievement of your administration, of your tenure, would be that there was an enhancement in the reading aptitude of America's youngsters at all levels. To me, that's the key to all knowledge.

Secretary BELL. It surely is.

Senator EAGLETON. It's a sad thing when high school graduates in my own city of St. Louis go in to seek a job as a clothing salesman, and when they give them a minimal competency test, because they have to fill out the credit slips and what have you, they can't read the credit form or can't properly fill out the credit slip. And although the individual has a thing called a diploma, that's a real tragedy.

Secretary BELL. I understand the author of the famous book a few years ago, "Why Johnny Can't Read," is coming out with a sequel which says "Why Johnny Still Can't Read," and its emphasis is on the very thing that you're stressing.

Senator EAGLETON. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator SCHMITT. Mr. Secretary, on that subject, let me call your attention to what I'm afraid is a psychological problem in the teaching profession itself, in that they look to what is happening nationally as some symbol of adequacy, that if you're at the national norm or above, somehow that is adequate.

I hope that you will, through your leadership, try to disabuse the system of that fact. The national norm is not adequate.

Secretary BELL. The problem with the national level is obviously the way you calculate the average. Half of them are below that point.

Senator SCHMITT. Even if the national norm was an adequate level of skill, you still have half of them below it, I submit the national norm is not an adequate skill commensurate with the needs of our society now and in the future.

Secretary BELL. I fully agree with that. I have felt for a long time that particularly in our high schools we permit students too much latitude to elect substitute courses. They study consumer arithmetic rather than algebra or geometry and some of the more solid course work. The same thing with general survey type courses in science, rather than physics and chemistry. We need to be pressing harder on that.

I feel that our responsibility is also to try to be a constructive critic of American education, and we have been trying to hit that quite heavily. That's why, as I said this morning during our testimony, I think it's important that school boards adopt standards as policy for their school systems and try to encourage and press students to come up to that. We all try to come up to a challenge if it's there. If you don't have a challenge, then you don't stretch the limit of students' abilities.

DISCUSSIONS WITH STATES ON CURRICULUM IMPROVEMENT

Senator SCHMITT. Do you intend to do some curriculums jawboning with the heads of education in individual States?

Secretary BELL. Yes; I am already involved in that. I have had some counterattacks, I might call them, saying we're being too critical, but I really think we need to do that. It's obviously not our responsibility to set curriculum, but I think we have a right to observe and to gather data and to express our criticisms. There is still general dissatisfaction with the performance of our schools, and we need to become more responsive to it.

When we lose individuals like Dr. Vincent Reed, who had quite a difficult time here in the District of Columbia schools where he was pressing and absolutely insisting that students were not going to be promoted until they came up to a standard, when boards of education and parents attack school officials, that is when we lose, and all of us ought to be coming to the support on the other side of that, in my opinion.

Senator SCHMITT. Well, I wish you well. If you would provide for the record the specific criticisms of curriculums that you have been providing in your jawboning efforts, I would appreciate it.

Secretary BELL. I'd be happy to do that. I've done it in addressing school boards and speaking to school superintendents. We'd be most pleased to do that.

[The information follows:]

MORE DISCIPLINE IN THE LEARNING PROCESS: A HIGH PRIORITY FOR THE SCHOOLS OF AMERICA

IT IS A DISTINCT PRIVILEGE TO STAND BEFORE THIS GENERAL SESSION OF YOUR AASA CONVENTION AND TO HAVE THIS OPPORTUNITY TO EXPRESS A FEW OF MY THOUGHTS ABOUT AMERICAN EDUCATION. THERE ARE NO MORE INFLUENTIAL PEOPLE IN ALL THE NATION--MORE DEDICATED AND MORE SINCERELY CONCERNED ABOUT THE FUTURE OF OUR NATION THAN THE SUPERINTENDENTS OF SCHOOLS AND THE SCHOOL ADMINISTRATORS THAT ARE GATHERED HERE TODAY. I TRUST THAT I MAY BE SUCCESSFUL IN THE NEXT FEW MINUTES TO CLEARLY EXPRESS MY VIEWS AS TO WHAT ALL OF US WHO CARE AND KNOW ABOUT SCHOOLS OUGHT TO BE DOING OVER THE NEXT FEW MONTHS.

FIRST OF ALL, I WOULD LIKE TO MAKE A FEW OBSERVATIONS ABOUT OUR IMMEDIATE PAST HISTORY IN AMERICAN EDUCATION AND THEN I WANT TO DISCUSS THE GAPS BETWEEN WHAT IS AND WHAT OUGHT TO BE.

OUR SCHOOLS MIRROR OUR SOCIETY--OUR NATIONAL MOOD--OUR MORALE --OUR CONFIDENCE OR LACK OF IT--OUR APPREHENSIONS AND HOPES. IT SEEMS TO ME THAT WHEN WE LACK CONFIDENCE IN OURSELVES--WHEN WE ARE TROUBLED AND WHEN WE ARE NOT PROSPERING, IT REFLECTS IN THE NATION'S ATTITUDE, RESPECT, AND SUPPORT FOR SCHOOLS. WE ARE ALL AWARE THAT THIS COUNTRY HAS BEEN PASSING THROUGH A PERIOD OF CONSIDERABLE TENSION, DESPAIR--A TIME OF SHAKEN CONFIDENCE AND OF ECONOMIC TURMOIL AND INSTABILITY.

IN THIS SETTING WE FIND THERE ARE GREAT NUMBERS WHO CRITICIZE THE EDUCATION ESTABLISHMENT. THEY CRY FOR REFORM--WHY CAN'T WE TEACH AND LEARN AS WE DID IN THE GOOD OLD DAYS? WHAT'S WRONG, THEY SAY--WE PAY MORE AND MORE TAXES FOR SCHOOLS AND WE GET LESS FOR OUR MONEY!

OVER THE PAST TWO DECADES WE HAVE WITNESSED A REVOLUTION IN EDUCATION. LOCAL SCHOOLS HAVE BEEN GIVEN, THROUGH NEW LAWS AND BY COURT ORDERS FROM STATE AND FEDERAL LEVELS, URGENT REQUIREMENTS TO MAKE CHANGES THAT HAVE BEEN VERY HARD TO UNDERSTAND AND ACCEPT. THROUGH THESE PAST YEARS, EDUCATION HAS BEEN ASKED TO BE IN THE FOREFRONT AND ON THE CUTTING EDGE OF NEW SOCIAL REFORMS. THE RIGHTS OF STUDENTS AND THE DEMANDS FOR EQUALITY OF EDUCATIONAL OPPORTUNITY HAVE TWISTED AND TURNED THE PRIORITIES OF SCHOOLS. THERE HAVE BEEN NUMEROUS OUTPOURINGS OF NEW LAWS AND COURT FIND-

INGS. THESE CHANGES HAVE BEEN HARD TO MAKE--THEY HAVE CAUSED, ON NUMEROUS OCCASIONS, CRIES OF OUTRAGE AND THREATS OF REBELLION. AND THE ORGANIZATION UNDER MY RESPONSIBILITY--THE U.S. DEPARTMENT OF EDUCATION AND ITS PREDECESSOR THE U.S. OFFICE OF EDUCATION--HAS BEEN THE OBJECT OF MANY ANGRY UTTERANCES FROM MANY OF YOU. IT HAS NOT BEEN DIFFICULT TO CLENCH A FIST AND SAY TO US ON THE FEDERAL LEVEL TO TAKE OUR FEDERAL MONEY AND WRAP IT UP IN ALL THOSE FEDERAL REGULATIONS AND PUT IT - ANYWHERE BUT ON MY DESK OR IN MY SCHOOL SYSTEM. YOU HAVE ABOUT HAD IT WITH US. THIS RESPONSE IS PARTLY OUR FAULT, BUT THE SITUATION HAS ALSO BEEN CAUSED BY MOVEMENTS ON A LARGER SCALE THAN HAVE BEEN PUSHING US THIS WAY AND THAT.

WHY HAS ALL THIS HAPPENED? IT HAS GROWN OUT OF DREAMS FOR AN IDEAL SOCIETY--OF A COMMITMENT TO EQUAL OPPORTUNITY--OF RIGHTS TO UPWARD MOBILITY FOR MANY WHO HAVE LIVED IN DEPRIVATION AND POVERTY: WE ARE FOR THE UNDERDOGS. GIVE MINORITIES A BREAK FOR A CHANGE. LET THE HANDICAPPED HAVE A CHANCE. TEACH THE CHILDREN OF THE POOR WITH SPECIAL HELP FROM FEDERAL COMPENSATORY EDUCATION MONIES TARGETED ON HIGH CONCENTRATION OF IMPOVERISHED FAMILIES! GIVE TEACHERS THE RIGHT TO SIT DOWN AND BARGAIN ON SALARIES AND WORKING CONDITIONS. GIVE PARENTS AND STUDENTS AMPLE OPPORTUNITY TO A FULL HEARING AND A CHANCE TO APPEAL DECISIONS THAT TOUCH THEM. WELL, ALL OF THIS HAS BEEN POURED OVER YOUR GROWING AND BEWILDERED AND FRUSTRATED AND ANGERED SOULS. IT HAS BEEN A DIFFICULT ERA, THESE PAST FEW YEARS.

THROUGH ALL OF THIS, WE HAVE GROWN A NEW SOCIAL AWARENESS AND A MORE COMPASSIONATE CONSCIENCE. WE HAVE BECOME VERY SENSITIVE TO PEOPLES' RIGHTS AND TO MINORITY VIEWS AND CONCERNS. THIS CONCERN FOR EQUALITY OF OPPORTUNITY IS HERE TO STAY. AND THAT IS PERHAPS AS IT SHOULD BE. AT LONG LAST WE REALLY MEAN IT WHEN WE READ THOSE HIGH SOUNDING WORDS IN THE CONSTITUTION--IN THE FOURTEENTH AMENDMENT AND IN THE CIVIL RIGHTS ACT. WE SHARE IN THE NATIONAL COMMITMENT TO EQUALITY EVEN AS WE REACT NEGATIVELY TO WHAT SOMETIMES APPEARS TO BE A NATIONAL OBSESSION WITH THE SUBJECT. CERTAINLY, THE U.S. SECRETARY OF EDUCATION SHOULD AND WILL STAND UP FOR EQUALITY OF OPPORTUNITY. BUT MY COMMITMENT, I AM SURE, IS MATCHED BY YOURS AND UPON THAT BASIC TRUST WE CAN WORK WITH

HIGH EXPECTATIONS AND GREAT RESULTS. ON THE FIELD OF CIVIL RIGHTS WE DO NOT MEET AS ADVERSARIES. WE MEET AS PROBLEM-SOLVERS.

LET'S CONTINUE TO STAND TOGETHER FOR SOCIAL JUSTICE AND FOR THE FINEST EDUCATIONAL OPPORTUNITY POSSIBLE FOR ALL OUR STUDENTS! BUT LET'S DO IT WITH A HIGH LEVEL OF MUTUAL RESPECT AND CONFIDENCE! AND LET'S DO IT WITH LESS DETAIL IN THE FEDERAL RULES AND WITH A FEW LESS INSULTING DEMANDS IN THE REGULATIONS THAT EMERGE FROM OUR FEDERAL DESKS IN WASHINGTON AND END UP ON YOUR DESK IN POCATELLO OR PORTLAND OR PENSACOLA! I INTEND TO CONDUCT A SEARCHING REVIEW OF FEDERAL REGULATIONS AND CUT BACK WHERE I CAN. BUT, AS I SAY THAT, KEEP IN MIND THAT I CANNOT DO LESS THAN THE FEDERAL LAW REQUIRES. IF ITS NOT IN THE LAW, I CAN AND I SHALL CUT IT OUT, BUT IF IT IS IN THE LAW, YOU AND I MUST COMPLY. THIS IS NOT TO SAY THAT WE WILL NOT TRY TO CHANGE STATUTES THAT ARE OPPRESSIVE AND ILL ADVISED. WE WILL STRIVE FOR REVISIONS OF SUCH LAWS.

THIS NATION HAS MADE A NATIONAL COMMITMENT TO EQUALITY OF OPPORTUNITY. THIS HAS--AS I SAID EARLIER--BEEN AN OBSESSION AND A PREOCCUPATION AND AN ANXIOUS CONCERN OF MANY LAWMAKERS AND SOCIAL REFORMERS. AND THIS COMMITMENT TO EQUALITY OF OPPORTUNITY HAS, LIKE ALL MAJOR SOCIAL REFORM MOVEMENTS, RESULTED IN SOME NEGATIVE SIDE EFFECTS. THE CASUALTY OF ALL OF THIS HAS BEEN REFLECTED IN NEGLECT OF QUALITY. MANY HAVE SHRUGGED ASIDE THE COMMITMENT TO EXCELLENCE. WE NEED TO REMIND OURSELVES THAT EQUALITY OF OPPORTUNITY AND FREE AND EQUAL ACCESS TO EDUCATION SHOULD NOT AND CANNOT ERODE OUR EDUCATIONAL STANDARDS. A PREOCCUPATION WITH UNDERACHIEVERS OUGHT NOT ERASE OUR STANDARDS THAT WILL GIVE PRIDE AND VIGOR TO A SCHOOL SYSTEM. IT IS ONE THING TO ASSURE EVERY STUDENT OF HIS OR HER RIGHTS TO EQUAL ACCESS TO EDUCATION AND IT IS STILL ANOTHER TO INSIST THAT THE ACADEMIC CLIMATE IN EVERY SCHOOL IN THE SYSTEM IS SUFFICIENTLY STIMULATING, CHALLENGING AND RIGOROUS. WE MUST NOT FORGET THAT IN THE PROCESS OF EDUCATION THERE MUST BE AN INHERENT CHALLENGE TO ALL STUDENTS--THAT THEY ALL MUST HAVE AN EQUAL OPPORTUNITY TO BECOME UNEQUAL--THAT THEY ARE NOT ONLY PERMITTED BUT ENCOURAGED TO ACHIEVE AT THE OUTER LIMITS OF THEIR ABILITIES.

AS I SEE IT, THIS IS A TIME WHEN EVERY SCHOOL ADMINISTRATOR OUGHT TO BE INTROSPECTIVE ABOUT ONE KEY WORD IN THE VOCABULARY OF EDUCATION THAT HAS A SPECIAL MEANING TO EDUCATORS. AND THAT

WORD IS DISCIPLINE. IT IS IN THIS MATTER OF DISCIPLINE THAT WE HAVE SLIPPED OVER THE PAST FEW YEARS. AND IT IS IN DISCIPLINE THAT AMERICAN EDUCATION CAN FIND INSTITUTIONAL RENEWAL AND ADDED RESPECT. I AM NOT REFERRING TO THE WORD, DISCIPLINE, SOLELY IN THE CONTEXT OF STUDENT BEHAVIOR. IT IS IN ITS GLOBAL CONTEXT FOR EDUCATION THAT IT NEEDS TO RECEIVE OUR ATTENTION.

EDUCATION AND ITS VALUE IN DISCIPLINING THE MIND HAS RECEIVED NEW ATTENTION LATELY. GEORGE GILDER, IN HIS NEW BOOK, WEALTH AND POVERTY, HAS WRITTEN: "THE ONLY STABLE ASSET AMONG THE QUAKES AND SHADOWS IS A DISCIPLINED BRAIN. MATTER MELTS, BUT THE MIND AND WILL CAN FLASH FOR A WHILE AHEAD OF THE UNCERTAIN CROWD, BEAM VISIONS ACROSS THE SKY, AND INDUCE THEIR INCARNATION IN SILICON AND CEMENT." NOW, IF EDUCATION IS TO AFFECT THE MIND AS GILDER IMPLIES THAT IT SHOULD, IT MUST CHALLENGE THE UTMOST CAPACITY OF THE LEARNER.

IN THE FIELD OF EDUCATION, THE WORD DISCIPLINE HAS SEVERAL CONNOTATIONS. IN ACADEME, A PARTICULAR FIELD OF SUBJECT MATTER IS KNOWN AS A DISCIPLINE. TO ATTAIN MASTERY ONE ALSO MEETS THE DISCIPLINE STANDARDS OF ATTAINMENT. TO BE PROFICIENT IN THE DISCIPLINE IS TO ATTAIN STANDARDS OF EXCELLENCE IN ENGLISH OR MATHEMATICS OR SCIENCE. AND OUT OF THESE CHALLENGES, WE STRIVE TO DISCIPLINE THE MIND AND BUILD PERSONAL CONFIDENCE AND PRIDE. IN ALL OUR COMPASSIONATE CONCERN FOR THE DISADVANTAGED STUDENT PERHAPS WE HAVE BEEN INCLINED TO ABANDON THE RIGORS OF MANY ACADEMIC DISCIPLINES AS WE HAVE EMBRACED THE SOCIALIZING AND LIFE ADJUSTMENT AND THE ACTIVITIES PROGRAMS. STUDENTS IN MANY HIGH SCHOOLS CAN SUBSTITUTE FAR TOO MANY EASY COURSES IN A VERY BROAD FIELD OF LANGUAGE ARTS INSTEAD OF ENGLISH COMPOSITION. AND MANY ARE FREE TO CHOOSE FROM A POT OF STEW KNOWN AS SOCIAL STUDIES, TOO MANY SUBJECTS THAT FAIL TO DISCIPLINE THE MIND AS A RIGOROUS COURSE IN AMERICAN HISTORY OR ECONOMICS WOULD DO. WHAT WE ARE TALKING ABOUT IS EDUCATION IN DEPTH VERSUS SURVEY COURSES THAT TOUCH A BROAD SUBJECT AREA IN AN ORIENTATION APPROACH. THERE IS NO SUBSTITUTE FOR THE OLD FASHIONED DISCIPLINES OF MATHEMATICS, BIOLOGY, PHYSICS AND CHEMISTRY. MANY OF US ARE ALSO KEENLY AWARE THAT FOREIGN LANGUAGES ARE BEING SHUNNED BY MANY HIGH SCHOOL STUDENTS AS THEY PURSUE LESS CHALLENGING SUBJECTS.

WE HAVE LOST THE MOMENTUM THAT WE ONCE HAD SOUGHT AFTER SPUTNIK WHEN WE HAD THE EMPHASIS ON SCIENCE, MATHEMATICS AND MODERN FOREIGN LANGUAGES. WE NEED INCREASED INTEREST, MOTIVATION AND INVOLVEMENT IN THESE AREAS. HOW CAN WE GAIN WHAT HAS BEEN LOST HERE? WILL YOUR STUDENTS GRADUATING FROM HIGH SCHOOL REALLY ATTAIN THE LEVELS OF ACADEMIC EXCELLENCE WE WANT AND NEED IF THEY ARE PERMITTED TO SUBSTITUTE AND ELECT AND CHOOSE FROM A CURRICULUM THAT IS SO BROAD THAT IT LACKS DEPTH? THIS IS THE CHALLENGE OF STRIVING TO HAVE MORE DISCIPLINED LEARNING. WHAT WE NEED IS MORE LEARNING IN DEPTH. TO CHALLENGE STUDENTS TO DEMONSTRATE COMPETENCE AND A RESPECTABLE LEVEL OF MASTERY IN ENGLISH COMPOSITION, MATHEMATICS AND SCIENCE IS TO REWARD THEM WITH A DISCIPLINED MIND AND A CAPACITY FOR FURTHER LEARNING AND ADVANCEMENT IN TODAY'S WORLD. THERE IS NOTHING MORE BEAUTIFUL IN ALL THE WORLD THAN A HANDWRITTEN SENTENCE THAT CLEARLY AND BRIEFLY EXPRESSES AN IDEA THAT IS ON THE MIND OF THE WRITER. WHAT THIS COUNTRY NEEDS IS A FEW THOUSAND STUDENTS FROM THE CLASS OF 1981 CAPABLE OF PERFORMING SUCH A MODERN MIRACLE. TO ALLOW SUBSTITUTIONS IN THE HIGH SCHOOL CURRICULUM THAT PERMIT ALL TOO OFTEN A SELECTION OF STUDY IN SURVEY TYPE COURSES IN SOCIAL STUDIES AND LANGUAGE ARTS FIELDS--TO PERMIT CONSUMER MATHEMATICS TO REPLACE ALGEBRA AND TO ALLOW A SIMILAR DIET OF "ACADEMIC PABLUM" TO REPLACE CHEMISTRY, PHYSICS AND BIOLOGY IN THE SCIENCE FIELD--THIS IS THE PRACTICE FOUND ALL TOO OFTEN IN TODAY'S SCHOOL SYSTEM--THIS PRACTICE PERMITS THE EASY NON-CHALLENGING WAY THROUGH HIGH SCHOOL. WE NEED TO DO MORE TO BRING BACK A DISCIPLINED CURRICULUM WITH LESS FREEDOM TO CHOOSE THE EASY WAY THROUGH OUR PUBLIC SCHOOLS. IF ONE IS YOUNG AND FUN LOVING--AS ALMOST ALL HIGH SCHOOL YOUTHS ARE INCLINED TO BE--IT IS TEMPTING TO CHOOSE A BROAD AND SOMEWHAT SHALLOW EDUCATION LACKING IN THE RIGORS WE NEED TO BE EMBRACING.

I HAVE BEEN ENCOURAGED BY WHAT MANY SCHOOL SYSTEMS ARE DOING TO WITHOLD CREDIT AND ADVANCEMENT UNLESS A STANDARD OF PERFORMANCE HAS BEEN REACHED. THIS PRACTICE IS, IN THE LONG RUN, IN THE BEST INTEREST OF EVERY STUDENT AFFECTED BY IT. MANY OF THE SUPERINTENDENTS IN THIS AUDIENCE HAVE TAKEN A STAND ON THIS ISSUE. THEY HAVE BEEN SOUNDLY CRITICIZED FOR THEIR COMMITMENT, AND I SALUTE THOSE OF YOU WHO HAVE HAD THE COURAGE TO "HANG IN THERE" ON THIS PRINCIPLE.

THIS COMMITMENT TO QUALITY CONTROL IN OUR SCHOOLS IS ESSENTIAL. I LEARNED A LONG TIME AGO THAT WHEN PERFORMANCE IS MEASURED, PERFORMANCE IMPROVES. AND WHEN PERFORMANCE IS MEASURED AND THE RESULTS ARE FED BACK, THE RATE OF IMPROVEMENT ACCELERATES. IN THE YEARS AHEAD, WE SIMPLY MUST DO MORE TO BRING OLD FASHIONED DISCIPLINE BACK INTO OUR TEACHING AND LEARNING ENDEAVORS. WE CAN DO THIS AND STILL HAVE COMPASSION FOR THE LEARNER. WE CAN HAVE BOTH EQUALITY OF OPPORTUNITY AND EXCELLENCE IF WE WILL INSIST ON BOTH.

SCHOOLS ARE LIKE PEOPLE. THEY MUST RENEW THEMSELVES--THEY MUST HAVE PRIDE IN STANDARDS THAT STRETCH YOUNG MINDS TO NEW HEIGHTS. SCHOOLS, LIKE PEOPLE, CAN GROW OLD AND TOP OUT AND GO TO SEED. SCHOOLS CAN--ON THE OTHER HAND--HAVE A LONG SPAN OF CONSTANT RENEWAL AND GROWTH THROUGH AN UNRELENTING COMMITMENT TO EXCELLENCE.

SOME INTELLECTUALS FROM ABROAD HAVE BEEN WRITING ABOUT THE RECENT TRENDS IN THE UNITED STATES...HOW THIS NATION IS LOSING ITS WILL TO BE A DISCIPLINED PEOPLE...AND THERE IS SOME SPECULATION THAT THE ENTIRE COUNTRY IS GOING TO SEED...THAT WE HAVE TOPPED OUT AND THAT WE LACK THE CAPACITY TO RENEW OURSELVES. I DON'T BELIEVE THAT. I BELIEVE FIRMLY THAT ALL WE HAVE NEEDED IS THE LEADERSHIP TO SHOW THE WAY.

THE PEOPLE WILL RESPOND AND THEY WILL DISCIPLINE THEMSELVES AND THEY WILL SACRIFICE FOR THE COMMON GOOD AND ECONOMIC STRENGTH OF OUR COUNTRY.

WE NEED TO DO MORE TO SHOW THE WAY IN EDUCATION. WE NEED A RENEWED AND VIGOROUS AND A DISCIPLINED EDUCATION ESTABLISHMENT.

IN THE YEARS AHEAD, WE NEED TO TURN MORE AND MORE TO A RENEWED QUEST FOR EXCELLENCE. AMONG THE MANY RESPONSIBILITIES OF MY NEW JOB, I FEEL A NEED TO BE A FRIENDLY AND CONSTRUCTIVE CRITIC--TO BE A SOCRATIC GADFLY ON THE BACK OF AMERICAN EDUCATION. WE HAVE BECOME, ACADEMICALLY, MUCH TOO FLABBY IN OUR PUBLIC SCHOOL SYSTEMS. IT'S TIME TO SHAPE UP. I HOPE THAT WE CAN ALL MAKE A NEW COMMITMENT TO GIVE STRONG LEADERSHIP TO OUR NATION'S SCHOOLS. THEY WILL BE NO BETTER THAN YOU WANT THEM TO BE. YOU NEED A COURSE AND A STANDARD AND A DIRECTION. IF YOU DON'T KNOW WHERE YOU ARE GOING, ANY ROAD WILL GET YOU THERE. BUT IF YOU KNOW THAT YOUNG PEOPLE ARE TOUGH AND VIBRANT AND RESPONSIVE, YOU WILL CHALLENGE THEM AND THEIR TEACHERS TO TAKE THE HIGH ROAD.

I APPRECIATE AASA. PAUL SALMON IS A FINE LEADER FOR ALL OF YOU. HIS STAFF PERFORMS WELL ON YOUR BEHALF IN WASHINGTON.

I SENSE VERY DEEPLY MY RESPONSIBILITY TO PROVIDE EFFECTIVE LEADERSHIP AND ADVOCACY FOR AMERICAN EDUCATION AT THIS TIME. OUR COUNTRY IS FACED WITH A MULTITUDE OF PROBLEMS. WE HAVE SOME VERY SERIOUS ECONOMIC PROBLEMS THAT WILL REQUIRE SACRIFICE FROM ALL OF US. AND ALL OF YOU HAVE YOUR PRESSURES AND YOUR LIST OF PROBLEMS THAT SEEM TO LACK SOLUTIONS. SURELY WE NEED MORE RESPONSIVE AWARENESS FROM BOTH THE FEDERAL AND STATE LEVELS OF THE GRADUAL AND UNRELENTING EROSION OF LOCAL AUTONOMY. IT IS THE COMPOUNDING IMPACT OF STATE AND FEDERAL RULES AND LAWS THAT COMPLICATES YOUR JOBS. I CLOSE MY REMARKS BY ACKNOWLEDGING THAT. I HOPE AND PRAY THAT I MAY BE ABLE TO DO SOMETHING ABOUT IT.

THANK YOU.

STATE-BY-STATE NEGOTIATIONS

Senator SCHMITT. Once your staff is on-board, you might think of organizing a less public, but still quite intense effort of negotiations on a State-by-State basis or on a region-by-region basis.

Secretary BELL. I think it's persuasion and advocacy that will pay off more than the threat part of it. People get their backs up and counterattack you on that.

But I agree, Mr. Chairman, that that's a very important role that we can play. And if we can get involved there and less on the detail of regulations, I think we would be more helpful to education.

Senator SCHMITT. There's an implicit threat in this, in that if we are not successful in returning the responsibility to the States and successful in seeing the quality of education, basic education, improve in this country, then the political pressure is going to be to come back to where we were and worse.

Secretary BELL. Right; that's surely so.

Senator SCHMITT. And I don't know a board of education or an administrator of education at any level, district or State, that wants it to get worse than it has been.

Secretary BELL. Right; I have felt for a long time that if we measure achievement and evaluate it, that that in itself helps to bring about accomplishment. There has been quite an attack on testing, and I know that testing in education is not exact and perfect, but I think we need to be doing more to measure results and report them, because it's only through that, that we can know where we are and know what progress we are making.

EQUAL EDUCATIONAL OPPORTUNITIES PROGRAMS

Senator SCHMITT. With respect to equal educational opportunities, if we assume the administration's proposal for a block grant is enacted, the functions previously funded under the equal educational opportunities account will be part of a block grant.

What do you see as the role of the Department in the future in regards to desegregation activity?

Secretary BELL. The desegregation moneys will be in the block grant. A part of the formula will target those funds where school districts are under court orders to desegregate, and some of the moneys will be at the State level for allocation. So States will be the ones to provide the resources to local school districts that we provide to them to respond to court orders under the desegregation efforts.

Our responsibility will be to provide technical assistance. We will still have the responsibility, I think, that we have had in the past, and that's to give assistance to the court after they've found certain findings with regard to this. So I think we will still have that responsibility plus the technical assistance and advice to the States as they allocate these resources.

I should emphasize that this portion of the block grant will flow where the court orders are, so the resources, the moneys from the Emergency School Assistance Act, will be going out on that basis, and those moneys won't be spread nationwide and out into areas where there is no demand for those resources.

Senator SCHMITT. Are you going to depend on the courts to define where those moneys should be allocated?

Secretary BELL. This is what we have done. You can't be eligible for the money unless you're under a court order to desegregate. There is a provision if you voluntarily enter into a busing desegregation program, that you can participate. But we are, as you likely know, Mr. Chairman, we are prohibited from getting into the busing initiative in that regard by the statutory provisions.

Senator SCHMITT. Well, in a way you are into it when you provide funding, if they voluntarily go into it.

Secretary BELL. Well, that is true, if they voluntarily move into that. There's very little of that going on. I don't know of anyplace where we're funding voluntary desegregation efforts. Most of them are in response to court orders.

Senator SCHMITT. I'm told every State is eligible for some money under the basic State grant program.

Secretary BELL. Well, they are, for a minimum amount for the centers and the assistance programs that we have. It's the targeting of the large sums that go to some of the big city systems that I was referring to. There is an amount that goes under the formula to every State.

Senator SCHMITT. Isn't that sort of a negative approach, to wait for the courts to order something and then apply the money?

Secretary BELL. It could be viewed as that. It depends on how much faith and confidence you have in busing. And the Congress has expressed their concern, as I'm sure you well know, about this and have expressed in language a prohibition against spending emergency school aid funds on busing.

Senator SCHMITT. Mr. Secretary, is this just an informal policy within the Department to follow the dictates of the courts, or is there something that we are not aware of that causes the State-apportioned funds and the nationally competed funds to be used in that manner?

ALLOCATION OF STATE-APPORTIONED FUNDS

Secretary BELL. Well the State-apportioned funds—Sally, maybe you can help me with how that is allocated.

Ms. CHRISTENSEN. The State-apportioned funds are allocated on the basis of the number of children in those districts, in those schools.

Senator SCHMITT. Number of minority students?

Ms. CHRISTENSEN. That's right, minority students. The emphasis in the rescission will be to deemphasize those schools that are in the category III—that is, those districts that have been receiving assistance for 6 years or more. We would continue to assist—and this is within the State formula and the special projects both—for the category II projects, which is between 3 and 6 years, and will give the highest priority to projects with 1- to 3-year length of service.

But we do encourage the voluntary desegregation as well as court orders. There's a mixture there.

USE OF FUNDS FOR COURT-ORDERED AND VOLUNTARY DESEGREGATION

Senator SCHMITT. Well I hope for the record you will clear this up because you caught me flatfooted here, Mr. Secretary, on this court ordered concept as being the way in which the funds are distributed.

Ms. CHRISTENSEN. There is the combination within the formula program. It's a question, as I say, primarily of allocating the resources to the newer districts that are coming in.

Secretary BELL. I'm not familiar—maybe some of my colleagues here at the table would be—I'm not familiar with the number of school districts that are receiving assistance because they qualified because of a voluntary busing effort. Most of the desegregation efforts that I have observed are under the force of the court.

Knowing how school boards and communities resist busing, do you know, Sally, how much of those funds are being allocated to voluntary desegregation?

Ms. CHRISTENSEN. We can supply the exact number for the record, but it's not just in support of busing that these funds help. They help in a variety of other ways such as training of teachers and doing a lot of public relations work within the communities to help bring about effective and efficient desegregation efforts, whether they are court ordered or voluntary.

[The information follows:]

DISTRIBUTION OF FUNDS BASED ON REQUIRED AND NONREQUIRED PLANS

During the earliest years of ESAA assistance, a large percentage of each year's funding went to court-ordered districts because of the pattern of desegregation activity at the time—e.g., the preponderance of southern school districts had undertaken desegregation activity as the direct result of court intervention. In recent years, particularly beginning in 1979, the program began to encourage voluntary desegregation efforts through such ESAA programs as local educational agency planning grants, magnet school grants, State educational agency incentive grants, and preimplementation assistance.

As currently written, the Emergency School Aid Act authorizes grants to or contracts with school districts which are implementing or developing a desegregation plan. Districts which are in the implementation stage must be implementing one of the following types of plans:

1. A plan undertaken pursuant to a final State or Federal court order or other agency or official of competent jurisdiction requiring desegregation of children or faculty;

2. A plan approved by the Secretary as adequate under title VI of the Civil Rights Act for desegregation of children or faculty; or

3. A plan for the elimination or reduction of minority group isolation in one or more minority group isolated schools.

Districts which are developing plans must be developing one of the following types of plans:

1. A plan issued by a Federal or State court or official of competent jurisdiction;

2. A plan undertaken by the district voluntarily and which will require the desegregation of children and faculty; or

3. A plan which has been approved by the Secretary as adequate under title VI of the Civil Rights Act for desegregation of children and faculty.

Section 610 of the act also states that the Department shall not give less favorable consideration to the application of a State or local educational agency which has voluntarily adopted a plan qualified for ESAA assistance than to the application of a local educational agency which has been legally required to adopt such a plan.

In 1980, 87 out of 329 districts receiving ESAA assistance were implementing nonrequired desegregation plans. Total funding for these districts in 1980 was $39,549,591.

Secretary BELL. Of course we're talking here, Mr. Chairman, about both title IV of the Civil Rights Act moneys and Emergency School Assistance Act moneys. I think we're mixing both of these here in our responses and in our conversation.

Senator SCHMITT. I'm unaware that you could use money for busing, in support of busing; and that the courts were basically directing the expenditure of Federal moneys. They may not be trying to do that, but it sounds like for all intents and purposes that's what they're doing.

Secretary BELL. They can certainly be causing that result because when you order busing, court order, that admits you to the competition for the money.

Senator SCHMITT. Let's have our staffs work together and see if we can clear this up, because I frankly don't understand it.

Ms. CHRISTENSEN. The court order issues are primarily handled by OCR, and I think that's what we're missing here, the OCR function, with the program to help the LEA's in the desegregation effort.

Senator SCHMITT. OK, let's try to clear that up.

Secretary BELL. We'll try to clarify that for the record and work with your staff on it.

EDUCATION OF THE HANDICAPPED

Senator SCHMITT. There's been considerable comment relative to the education of the handicapped in the press and elsewhere in recent weeks about the fact that the Department of Education is reviewing its existing regulations relative to education for the handicapped. How can the Department revise these regulations so they are less burdensome, but leave intact the intent that all handicapped children receive a quality education, commensurate with their ability?

Secretary BELL. I think there are some things we can do there, Mr. Chairman, things that we should do.

First of all, the law that we administer is very detailed, and I think it's an example of too much specificity, in my opinion, in the statute. That is causing a great deal of concern. I don't know what you are hearing, but I am hearing a lot of criticism from local school district officials on this.

One of the matters that's raising an enormous amount of concern right now is the court case in Pennsylvania where both the district court and the court of appeals have found that Pennsylvania is in violation of the rights of some handicapped children by having only a 9-month school year. There is considerable apprehension throughout all of public school education, nationwide, as this matter now heads to the U.S. Supreme Court, that this could result in pressure to have 12-month school for the handicapped.

As desirable as that may be, and as much as we want to do all that we can to help handicapped children, many are saying, "Where is the money going to come from for that?"

The whole case is surrounding the requirements in the statute and the language in the Federal law that was passed, the purposes of which are certainly laudable.

I know the law was enacted because of concern, and the testimony given on how many handicapped children had been neglected before this law was passed.

I think the issue involving what constitutes a free appropriate education for handicapped children needs further clarification out of our Department, and I think it's around that issue and that interpretation that the court became involved in Pennsylvania.

The chief State school officer in South Carolina contacted me right after I took office to express apprehension. He felt he was under pressure from our department to offer full-blown summer schools for all handicapped children, with all the problems of running buses and operating schools that weren't equipped with air conditioning, and so on, in that southern State. There's a great deal of concern and apprehension surrounding this.

And I have asked my staff—I have one attorney working on it full time—to identify for me where we could revise the regulations, certainly not to cop out on our commitment to handicapped children, but to see if we can't do something about the bundle of redtape that seems to surround this program.

Senator SCHMITT. Will you be recommending statutory change potentially to take care of some of the problems you describe?

Secretary BELL. We may, Mr. Chairman, as we proceed to examine that further.

BLOCK GRANTS

Senator SCHMITT. Much of the funds for education of the handicapped will be included in the block-grant program. Is it your belief that the States will continue to make a serious effort to provide a quality education to the handicapped under a block grant? And if so, why?

Secretary BELL. I believe that they will. I think that the commitment is there and the local and State boards have been involved in the program enough. The parent constituencies are involved and committed.

I don't agree with those who say that will be abandoning our commitment to handicapped children if we go the block-grant route.

An interesting comment I've had is that possibly the money will be moved from the disadvantaged, the title I students, over in favor of the handicapped. I've had individuals express that concern and I've also had the opposite expressed.

Both of the constituency groups that relate to these are concerned about handicapped and about title I, and each are concerned that maybe the other will capture an undue portion of the funds.

STATE PARTICIPATION

Senator SCHMITT. New Mexico is the only State that did not participate in the handicapped program.

Secretary BELL. That's right, Mr. Chairman. I'm aware of that.

Senator SCHMITT. New Mexico has a State program for the education of the handicapped. Have you had an opportunity to study the program see if it offers you any hope and encourgement that the States can handle these things without Federal oversight?

Secretary BELL. I think decisions like the one New Mexico made are symptomatic of the concern about receiving money from us and the requirements that accompany it. I think in New Mexico the decision was that it just isn't worth it to comply with all of this.

Senator SCHMITT. That's exactly right. I think they still believe in that, but the harassment they've been subjected to is something else again.

Secretary BELL. Well, they're standing out alone in that regard, and that's always tough to do. We ought to respect them for that.

Senator SCHMITT. For a period of time, their vocational funds were being held up by the Department of Education in order to force compliance.

Secretary BELL. On the handicapped?

Senator SCHMITT. On the handicapped.

We finally resolved that. That was a little bit too blatant even for the then Department of Education. So you might want to study that case—it's been a couple of years now that New Mexico has been operating their own program—and see if that does offer you some encouragement that the handicapped will be well served.

I frankly could not express an opinion, except there seems to be general agreement in New Mexico among most of the school districts and educators. They prefer to be working without the Federal Government in this one than with it.

Secretary BELL. I think for that reason they would welcome the block grant. That way they can get their pro rata share of the funds.

Senator SCHMITT. They will.

NAVAHO VOCATIONAL REHABILITATION PROGRAM

Now, with respect to rehabilitation services then, I will yield to Senator Burdick.

It's difficult to understand why your subordinates have refused to pay any attention to one clear intent of the Congress, expressed in conference report language, in fiscal 1981 continuing resolution, that $650,000 be provided for the Navaho vocational rehabilitation program.

Mr. Secretary, how could your General Counsel's Office possibly raise the question whether Congress intended to limit eligibility solely to the Navaho Tribal Council, when the Navahos were explicitly identified in the conference report language?

Secretary BELL. I'll ask Sally to respond to that item if she will; she's familiar with it.

Ms. CHRISTENSEN. With regard to the General Counsel opinion, their contention is that unless there is language in the bill itself earmarking funds, the report language alone is not strong enough. We intend to make money available for a service grant for an Indian tribal project. Rather than $650,000, the amount available would be $602,000 under the rescission. The General Counsel has agreed that it would not be a sole source. They have ruled that we do have to go through the competition. I'm not saying that the Navaho Tribal Council would not be the ones that would be the recipient of that competition.

Senator SCHMITT. Does that mean that your General Counsel does not think language in a conference report has any expression of congressional intent—that should guide the Department's actions?

Ms. CHRISTENSEN. They have ruled that we do not have authority for a sole source contract for this purpose.

In fact, Mr. Chairman, it was not in a conference report. It was in the 1981 House Appropriations bill report.

Senator SCHMITT. I disagree with you. It's page 21 of the Conference Report on Continuing Appropriations, Fiscal Year 1981, December 13, 1980.

I would refer you to that. And it's relevant to amendment No. 98.

Ms. CHRISTENSEN. Was that not the unprinted report? We ended up with no earmarkings in the continuing resolution. If you recall, there were some last-minute negotiations between the House and the Senate.

Senator SCHMITT. Apparently. We are also confused about whether this particular conference report was actually adopted or not.

Secretary BELL. I wonder if I shouldn't send counsel to meet with your staff on this matter? I think we ought to get that cleared up.

Senator SCHMITT. I think that would be a great help.

Secretary BELL. The worst thing we can do is begin to behave like we are not anxious to comply with legislative intent. I certainly don't want to do that.

Senator SCHMITT. The Congress may have tripped up on its own urgency to get the conference report out. We will try to sort that all out with your counsel.

Ms. CHRISTENSEN. I think that was the problem, Mr. Chairman, that there was not a published or a printed report because of the timing problems. I think that's exactly what happened.

Senator SCHMITT. Well, timing should not in any way make congressional intent.

Secretary BELL. That's right.

Senator SCHMITT. I guess, your counsel has been a little bit narrow in his interpretation.

Secretary BELL. I think if we can have him meet with your staff, we can get some clarification, Mr. Chairman.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Senator SCHMITT. You're proposing a $7 million rescission for the National Institute for Handicapped Research, a 20-percent cut that would have to be made over the fiscal year, with only a quarter of that year really remaining.

What types of research activities have not been funded which are available for rescission?

Secretary BELL. Can you respond to that, Sally?

Ms. CHRISTENSEN. Yes. There would be no new projects at all, and there would be a variety of demonstration and development activities in developing new procedures and new methods for rehabilitating handicapped personnel.

We have a list that I will be glad to supply for the record of specific projects that would be eliminated. We would fund basically all continuations.

Senator SCHMITT. You're talking about fiscal year——

Ms. CHRISTENSEN. 1981, the rescission of $7 million.

Senator SCHMITT. There are $7 million of unspent money there right now?

Ms. CHRISTENSEN. Yes.

Mr. SKELLY. Under the continuing resolution, we're not allowed to exceed 72 percent of the annual funding level. The continuing resolution only makes the money available through June 5. We couldn't spend that $7 million right now even if we wanted to; so it will be available at the end of the summer.

Senator SCHMITT. Thank you.

Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman.

Senator SCHMITT. We operated under a very loose 5-minute rule. The chairman, of course, is asking questions all day, so we'll give you a warning light. But don't feel too constrained.

Senator BURDICK. I'll give you a good 5 minutes. [Laughter.]

ELIGIBILITY FOR STUDENT AID PROGRAMS

Secretary Bell, I have a few questions here.

I'm extremely concerned about your plans for changing eligibility for student aid programs in fiscal 1982—how it will affect students from farm and small business families?

I understand you were questioned at length this morning, and I want to explore this some more. From what I have heard, we will need some more answers.

According to the director of the North Dakota financial aid program, the changes you propose will virtually eliminate farm and small business students from all the Federal aid programs, including the guaranteed student loan program.

As of last year, this would mean that 40 percent of my State's applicants for aid would be rejected. The problem is the way you treat fixed nonliquid assets.

I've had a running battle with the Department about this for years. I've never felt your criteria gave consideration to the fact that these assets are not liquid. A farmer cannot sell off 1 or 2 acres to pay for a year's schooling. And he may own a farm of tremendous value on paper, but he can often have a negative income at the end of the year.

In the past, the guaranteed loan program had been the safety net for farm and business families. By applying the needs test through GSL that relies heavily on assets, you take away the safety net.

Do you care to comment further on that?

Secretary BELL. We did discuss that this morning, Senator Burdick. We don't believe that the result that you have described it is going to be quite that harsh. We have tried to limit the amount of money going out in the student loan program. It's just been out of control.

I think we are going to be able to take care of the concern that you have expressed. If I may, I would like to call on Jim Moore, who administers this program, to describe specifically how we think we can meet those concerns.

Senator BURDICK. That will be fine.

Mr. MOORE. Senator Burdick, as I indicated this morning, the matter of determining the ability of a farm, ranch, or business family to support a student in college has been part of the overall need analysis process ever since this was invented in the early 1950's. I'm familiar with the kind of controversy you are mentioning from the letter and would offer two or three suggestions.

First of all, with respect to the guaranteed loan program, it will be up to the Congress to approve the necessary amendments to put that program on a need basis in the first instance.

Second, under the legislation which we now have before the Congress, the determination as to how the needs test is to be applied would be a matter for regulation by the Secretary. Clearly, in setting this structure up, we're going to have to track, in large measure, the kinds of things we used for the NDSL program, which has been operating in North Dakota for the last 20 years.

As far as I know, in talking with the people at the University in North Dakota and other institutions, the kind of thing this letter alludes to has not been a problem for them.

On the other hand, the guaranteed loan program which we started in Bismarck, N. Dak., in August 1967, has been one of the premier guaranteed loan operations in the United States with the absolute rock bottom, lowest default rate anywhere in the Nation.

Senator BURDICK. You're talking about the Bank of North Dakota?

Mr. MOORE. Yes, sir; and Buck Stendjem, if you know him, has run that for a long time.

If there is a matter of equity, as the writer of this letter alludes to, with respect to continued involvement of these families in the guaranteed loan program, I'm quite certain that we can look at that and address it as we develop our procedures for a need-based program this fall.

In other words, if there are changes to the existing system which should be made in in order to treat families properly, I'm certain we can look at that and do everything we can to treat people equitably.

Secretary BELL. The thing I would like to do, Senator, if I may, and if you are agreeable, is arrange a meeting involving the higher education people from North Dakota, your staff and my staff to go over the specifics involved in this to help us get a better understanding of it. We can see if there isn't some way we can deal with the problem that we are talking about.

I come from a rural area and a farming background, and I certainly don't want to be in any way setting down harsh rules that are hurting that group. Heaven knows, they are struggling enough these days.

So I would be willing and anxious to do that if you would be agreeable to it. We could meet with your staff and with the North Dakota people that administer these programs and see if we can come to some agreement.

We are alleging here that everything is fine and that they're not being hurt, but I'm hearing differently from you and I've also heard from the other North Dakota Senator. I don't want to turn a deaf ear; I want to see if we can't get together on it.

Senator BURDICK. I think a meeting like that would be an excellent idea. And I'll buy the coffee.

Secretary BELL. Very good. I'd appreciate that.

Senator SCHMITT. Senator, if I may, I'd like to have one of our committee staff sit in on it.

Secretary BELL. Mr. Chairman, that would be most helpful.

Senator SCHMITT. I got a little bit involved in it this morning, and I don't understand it either.

Senator BURDICK. I have one or two other short questions, if I still have time.

Senator SCHMITT. Oh, yes; please go ahead.

NEEDS ANALYSIS

Senator BURDICK. Can you provide us, for the record, the needs analysis that you are planning to recommend for GSL?

One of the problems may be there's difficulty in getting precise information. You might be able to report on that when we have a meeting, also.

Secretary BELL. Yes; we could do that.

The needs analysis is going to be necessary now for loan students—it hasn't been in the past—because we're going to fund loans on the basis of remaining need, rather than the open-ended we've had.

[The information follows:]

NEED ANALYSIS USED FOR GSL

Under the administration's GSL remaining need proposal for 1981-82, schools would have the option of using the need-analysis method associated with the Pell basic grant program or any of the approved need-analysis methods used for the campus-based and State incentive grant programs.

The need-analysis system used for the Pell grant program is provided by law and regulations. The regulations are submitted annually to Congress as the family contribution schedule.

Any need-analysis systems may be used for the campus-based and State incentive grant programs which has been approved by the Secretary for this use. A list of approved systems is published in the Federal Register each year. For several years, however, a uniform methodology has been adopted by the major private need analysis services.

For 1982-83, the need-analysis system to be used for need-based title IV student assistance programs is provided for in the Education Amendments of 1980, section 482 of the Higher Education Act, as amended. The administration proposes that this system simply be extended to student borrowers under the guaranteed student loan program. Parents would be eligible to borrow to help meet expected family contribution under the parent loan program.

Many aspects of the new need-analysis system are specified in the law. Others will be established through the regulation development process. The proposed regulations are to be submitted to Congress by July 1, 1981.

PARENT LOAN PROGRAM

Senator BURDICK. I understand this morning it was also said that the parents can borrow if students are found ineligible for GSL. You mean they can borrow under the parental loan program? If so, in how many States is that program now operating? How many will it have on October 1, 1981?

It's my understanding they're not starting this program at all in North Dakota, in States like mine. What other suggestions do you have for the students excluded from the traditional need programs?

Secretary BELL. Jim.

Mr. MOORE. The program is now operative in a handful of States. The last list I saw, which was put together by the State agencies themselves, has them generally phasing the program in between now and the first of the year. There are, it is true, a few States where legislation is necessary in order to allow the program to become operative in the State.

I'm not aware what the specific situation is with respect to North Dakota, but I will find out for the record.

[The information follows:]

STATUS IN STATES OF PARENT LOAN PROGRAM

The following list summarizes responses from all States that we recently surveyed regarding the status of the Parent Loan (PLUS) Program. We plan to do a follow-up survey in the coming weeks to update this information. As you can see, implementation of a PLUS Program in North Dakota is uncertain, and New Mexico requires legislation.

PARENT LOAN FOR UNDERGRADUATE STUDENTS (PLUS) PROGRAM
ESTIMATED START-UP DATES

STATE	STATUS	ESTIMATED DATE
Alabama	Has Authority	Uncertain
Alaska	Has Authority	July 1981
Arizona	Uncertain	Uncertain
Arkansas	Has Authority	Uncertain
California	Att. Gen. Opinion Pending	Spring 1981
Colorado	Att. Gen. Opinion Pending	April 1981
Connecticut	Legislation Required	July 1981
Delaware	Att. Gen. Opinion Pending	Uncertain
D. C.	Has Authority	July 1981
Florida	Legislation Required	Fall 1981
Georgia	Has Authority	April 1, 1981
Hawaii	Has Authority	Spring 1981
Idaho	Has Authority	Spring 1981
Illinois	Legislation Required	October 1981
Indiana	Legislation Required	October 1982
Iowa	Legislation Required	July 1981
Kansas	Has Authority	July 1981
Kentucky	Legislation Required	Uncertain
Louisiana	Legislation Required	Spring 1982
Maine	Legislation Required	Summer 1981
Maryland	Legislation Required	July 1981
Massachusetts	Has Authority	January 1981
Michigan	Legislation Required	August 1981
Minnesota	Has Authority	July 1981
Mississippi	Uncertain	Uncertain
Missouri	Att. Gen. Opinion Pending	July 1, 1981
Montana	Has Authority	Spring 1981
Nebraska	Has Authority	July 1981
Nevada	Legislation Required	Summer 1981
New Hampshire	Has Authority	September 1981
New Jersey	Att. Gen. Opinion Pending	May 1981
New Mexico	Legislation Required	Uncertain
New York	Legislation Required	July 1981
North Carolina	Legislation Required	Spring 1981
North Dakota	Uncertain	Uncertain
Ohio	Legislation Required	October 1981
Oklahoma	Legislation Required	Uncertain
Oregon	Legislation Requried	Summer 1981

STATE	STATUS	ESTIMATED DATE
Pennsylvania	Legislation Required	Spring 1981
Rhode Island	Has Authority	March 1981
South Carolina	Att. Gen. Opinion Pending	Uncertain
South Dakota	Has Authority	Fall 1981
Tennessee	Legislation Required	Uncertain
Texas	Has Authority	June 1981
Utah	Seeking Authority	Summer/Fall 1981
Vermont	Has Authority	Uncertain
Virginia	Has Authority	Summer 1981
Washington	Seeking Authority	Summer 1981
West Virginia	Has Authority	July 1981
Wisconsin	Seeking Authority	Summer 1981
Wyoming	Has Authority	July 1981
American Samoa	Uncertain	Uncertain
Puerto Rico	Uncertain	Uncertain
Trust Territory	Uncertain	Uncertain
Virgin Islands	Uncertain	Uncertain

OTHER RECOMMENDATIONS FOR GSL

Senator BURDICK. You might check that for New Mexico, too.

Mr. MOORE. Yes, sir.

Senator BURDICK One more.

The National Council of Higher Education Loan Programs has made recommendations for changes in the GSL program, chief of which is to limit eligibility for the interest subsidy to those families with incomes of $35,000 per year or more.

There are four other changes, which you probably are familiar with. These changes would solve the problems I discussed for the treatment of assets. They would also make the program much easier to administer for the banks.

Why didn't your Department recommend changes along these lines? Or have you considered them? What is the general situation?

Secretary BELL. I'll call on Mr. Moore again, since he handles this program.

Mr. MOORE. Senator, I meet monthly with the executive council of the National Association of Higher Educational Loan Directors. Every time we have a meeting, I get half a dozen recommendations from them, a number of which we have been able to adopt.

One specifically I think you're referring to is the interposition of an income cap to differentiate between the interest subsidy and no subsidy. The proposal which the administration has developed is to withdraw the subsidy entirely from all students, on the grounds that this represents a more equitable method of financing the program, and to simply put the amount of the loan on the basis of remaining need.

A number of the other operating proposals which we have received over the last year from this group we have been able to adopt, including a common application form and diverse other activities that have streamlined the approach that the States can take with respect to managing their programs.

Mr. DINGELDEIN. Senator, I might just add that in this particular proposal we did look at it, but one of the problems is it doesn't really save very much money.

If you look at the income distribution of GSL borrowers, to eliminate the subsidy for students in families above $35,000 would not save that much money. That would be a problem with the proposal. It doesn't do much to constrain the costs.

Senator BURDICK. I'd like to have you evaluate a little more, before our celebrated meeting to be, on these five points, and then we'll turn you back to the chairman.

It would be help to count social security and veterans' benefits of student aid and count these benefits against cost of attendance? That's point No. 1.

Point No. 2, limit eligibility for interest subsidy to guarantee student program to $35,000—we've talked about—adjusted family income.

No. 3, eliminate all deferment periods except the in-school and unemployed deferments.

No. 4, eliminate the 6-month grace period following the deferment periods.

No. 5, eliminate the independent student classification for GSL and change title IV for needs analysis for independent students. That's been suggested. We hope to talk about that one.

Mr. MOORE. All right, sir. The first one you mentioned we have adopted in our regulations—that is, the counting in of veterans' benefits and social security as resources.

Two points that you mentioned have been looked at, but we are treating them a different way in our legislative proposals. However, I think there is still an opportunity to discuss them.

Senator BURDICK. Very fine.

Thank you, Mr. Chairman.

Senator SCHMITT. Thank you, Senator.

How would you like to talk about Pell grants?

Secretary BELL. That would be a good follow-on, I think, Mr. Chairman, to the loan program.

EMERGENCY SCHOOL ASSISTANCE MONEY FOR BUSING

If I could go back for just a minute, to a point that my staff has made to me here. To clarify the record, we need to emphasize that we are not using the Emergency School Assistance Act money for busing. If there is any confusion about that in the record, we want to make sure that that's cleared up, because that is specifically prohibited by the law. If our testimony leaves any doubt about that, we can get ourselves into considerable trouble by leaving that doubt. I appreciate a chance to make sure that's on the record, Mr. Chairman.

Senator SCHMITT. Just to clarify even more, that includes even where the courts may have ordered it?

Secretary BELL. That is correct, sir.

PELL GRANT PROGRAM CHANGES

Senator SCHMITT. The administration has—proposed to establish by law a $750 self-help contribution for recipients of Pell grants. This is one of three changes I understand will be proposed?

Secretary BELL. Yes.

Senator SCHMITT. The other two being a change back to the old method of calculating the total cost of education?

Secretary BELL. Right.

Senator SCHMITT. And the other being a reversal of the inflationary modification to the family contribution schedule that was approved by the Congress late last year?

Secretary BELL. Yes.

Senator SCHMITT. Now, it is the committee's understanding that the Pell grant awards already calculate student self-help as part of the application process; is that correct?

Secretary BELL. There is a self-help element included. We don't feel it's enough, and that's why we have proposed a statutory change that would require a $750 self-help. If that is passed, I should emphasize that students could apply proceeds from a loan to that provision, if they qualified for one, if they didn't have the money otherwise.

There would also be a provision that in cases of considerable financial hardship, the financial aid officers could have authority to waive that provision.

As we have been under obligation to try to contain the costs of this program, we felt the 1980 amendments had gone far enough to require more student and family participation in meeting the costs of higher education.

Maybe the other points that you have made, Jim Moore could respond to.

If you would, Jim.

Senator SCHMITT. Briefly, because I think we understand what your proposals are.

But go ahead.

IMPLICATIONS OF PELL GRANT CHANGES

Mr. MOORE. Yes, sir.

Well, the second one, which is a return to the cost of education structure we used in 1980 and 1981, will require approval of a legislative change that is now before the Congress.

The final one involves a regulatory change, which we have submitted to the House. I believe, as of yesterday, agreement has been reached that the House will not disapprove that regulatory change, which, in turn, will allow us to proceed to process Pell grants for this year.

As you know, the system has been suspended since February, pending a decision on the move backward to the family size offset of 1980–81.

We think that bridge has now been crossed, and the processing system has been started up again, leading to issuance of grant awards within about the next 10 days or so.

Senator SCHMITT. Is that a one-house or two-house veto?

Secretary BELL. Mr. Chairman, that's a one-house veto provision. But I might indicate that we need to touch base yet with your colleagues in the Senate on that. The House part has been clarified.

Al?

Mr. ALFORD. I might just indicate that I did have a conversation with staff from the Senate subcommittee just before I came here, and they have indicated that they also will not raise the issues on the resolutions.

Senator SCHMITT. What subcommittee?

Mr. ALFORD. The process to introduce a resolution of disapproval; they will not be taking action on that.

Senator SCHMITT. Who is "they"?

Mr. ALFORD. The Subcommittee on Education of the Labor and Human Resources Committee.

Secretary BELL. Senator Stafford's committee, Mr. Chairman.

Mr. ALFORD. The subcommittee on postsecondary education, in the House has indicated the same thing.

Secretary BELL. With that assurance, we can begin to process the Pell grants applications which establish the eligibility. And then later on, as you decide what to do about our legislative proposals, we can calculate the final dollar impact.

The obstacle we needed to get behind us is apparently accomplished, and that is there won't be a resolution to disapprove my proposed regulations in either House. We can begin to process. Then later on, after you dispose of our legislative amendments to the law, we can then proceed in calculating and making our awards.

We have out of the way what we need to do to take care of the student eligibility reports and begin processing. This had been a source of considerable concern.

AGREEMENTS OF PELL GRANT PROPOSALS

Senator SCHMITT. Was there any other aspects of that agreement that you have with the House?

Secretary BELL. No, there were not. The House subcommittee did not agree—in fact, they haven't committed themselves yet—to the statutory provisions. Nor have we retreated from our position. Our bill is before them requesting that they pass those provisions.

We can come within the dollar amount that they are discussing, regardless of the outcome of the legislation, by applying the ratable reduction schedule that the existing 1980 law has.

We need to come up with an additional $500 million in savings. We will be able to achieve that, regardless of the outcome of the legislation. But we didn't agree, in our discussions with them, that we would retreat from our legislative proposals.

All we have now is their concurrence in the regulations. We are still at issue yet over the legislative proposals. We don't know what either the House or the Senate is going to do with that.

We will continue to try to persuade them to enact the administration's proposals in that regard, but there's no agreement yet on their part.

I want to make it crystal clear that we did not agree to withdraw our legislative proposals. They are still before the House. We've testified on them, and we hope that they will act favorably on them.

Senator SCHMITT. Well, if what you report is true, it's what some of my friends and I used to call a dropping your sword. I'm rather surprised that the House subcommittee and the Senate subcommittee would have assured you of this without some quid pro quo in this area or at least a discussion of it.

Secretary BELL. It just shows their good judgment, Mr. Chairman, to go along with our recommendations.

SAVINGS REALIZED THROUGH SELF-HELP PROPOSAL

Senator SCHMITT. How much are you going to save by your $750 self-help proposal?

Secretary BELL. Mr. Dingeldein has a number there for me. The self-help proposal will save $100 million.

Senator SCHMITT. We have an estimate from CBO that it will save only $22 million. Could we try to get that resolved?

Secretary BELL. Would you respond, Bill?

Mr. DINGELDEIN. Well, that's much lower than the last estimate we heard from CBO. We have been talking to them on a pretty regular basis, and the last I heard is they were pretty much in the same ball park that we were in.

Senator SCHMITT. That's another one we're going to have to work out.

Secretary BELL. I can't imagine them coming up with that number.

Senator SCHMITT. I'm told that may be an analysis of the number of students that may already provide that much, and who are eligible for Pell grant loans.

Secretary BELL. There has to be something wrong with that estimate because they are pretty sophisticated in their calculations.

ADMINISTRATION OF SELF-HELP PROVISION

Senator SCHMITT. We will try to work that out with you. Now, if this proposal were accepted, would you require new administrative mechanisms in order to monitor these criteria?

Mr. MOORE. No; this wouldn't require anything beyond what we have now, Senator.

Senator SCHMITT. No new people, no new paperwork? New eligibility requirement?

Mr. MOORE. Let me take these one at a time. The movement on the family-size offset is a programing problem which we are resolving right now at Santa Monica. The use of last year's data for cost of education estimates would require legislative change first and is handled in the payment schedule. The implementation of the self-help activity could also be handled in the payment schedule, which we will produce in June, hopefully after the time that the Congress has approved the 1981 supplemental request. There are funds in the supplemental that are essential to the program as set out in our budget for the 1981–82 academic year. So these changes add no additional burden of any kind on either the students or the institutions.

Senator SCHMITT. Do you think the institutions would agree with you on that?

Mr. MOORE. Probably not, sir. I have a lot of friends out there who have argued over the years that they have additional things to do that I'm not aware of. But I would have to say that in my judgment it wouldn't require additional burdens.

PROPOSED PELL GRANT SAVINGS

Senator SCHMITT. The family contribution schedule held at last year's level, I think you said would save on the order of $600 million, is that correct?

Secretary BELL. That would be $134 million, Mr. Chairman.

Senator SCHMITT. $134 million.

Secretary BELL. Yes; what we're shooting for totally is in excess of $600 million, $636 million.

Senator SCHMITT. That's $134 million and you say the $750 proposal will save about $100 million, and so the other proposal would save the remainder, or something like that?

Secretary BELL. Yes; the limitation on the cost of education would save $374 million, eliminating the indexing would save $134 million, and the sum of those with the self-help provision brings us to the $636 million that we're talking about.

Senator SCHMITT. Are you a little bit concerned that disallowing the inflation adjustment on the family contribution schedule discriminates against certain poor families?

Secretary BELL. No; in fact, the reason we put it in is so we could protect families that have incomes of less than $11,500 a year. We wanted to make sure that we lived up to the President's commitment that we wouldn't impose burdens on the very needy.

If you need detail on how that works, I can call on one of the staff here to respond.

Senator SCHMITT. Let me get something clear here. Under this regulation change, what would be the income level that a family of four could not exceed before it was expected to contribute to its child's education?

Secretary BELL. I would ask Jim Moore to respond, if he would.

Mr. MOORE. The 1980–81 figure for the offset for a family of four is, I believe, $7,700, roughly.

Senator SCHMITT. That corresponds. Now, what was this $11,000 figure?

Mr. MOORE. The original regulation increased that by 12.6 percent. The inflation factor which would run it up to some $8,500. This regulatory change would return it to the $7,700 level. Now, we get to the figure of $11,000 by adding other offsets for a family of four—employment allowance for the working mother and that sort of thing. Our general rule of thumb is that up to a level of $11,000 gross income, the tax rate doesn't apply. In other words, all of that income is held harmless. We get a zero-eligibility index, hence the student is eligible for a maximum grant.

Above that we begin to apply the 10.5-percent tax rate, which is set by law, against discretionary income.

Senator SCHMITT. I must run and vote. We will recess briefly. It will take me about 10 minutes.

[A brief recess was taken.]

REINSTITUTING PELL GRANT APPLICATION PROCESSING

Senator SCHMITT. Mr. Secretary, you indicated earlier that it was the question of whether or not the Congress would accept the change in the family contribution schedule back to the 1980–81 levels as being the reason that the Pell grant processing has been held up. Is that true?

Secretary BELL. Yes; that part of it that relates to calculating eligibility. We needed to get the change in our regulations. We were holding up processing of applications until then. Now that we have word that both the Senate subcommittee and the House subcommittee don't propose to introduce resolutions of disapproval, I think we can, with considerable assurance, proceed to process. I've asked Mr. Moore, who is the head of that operation, to tell our center in Santa Monica to move ahead.

Senator SCHMITT. Are you waiting for the other parts of your package to be approved by the Congress before you begin processing.

Secretary BELL. No; we will need that when we calculate the amount of the awards. We presume that will be disposed of in the interim time, and we'll soon know what's going to happen there.

Senator SCHMITT. Not only do you need it, the schools need it.

Secretary BELL. That's right.

Senator SCHMITT. Don't you think you ought to go ahead and process based on existing law and then if it changes, change it?

PROCEDURES IN PELL GRANT AWARDS

Secretary BELL. The thing we can now do is process applications and get the student eligibility report out. Following that, the amount of the award is calculated under the payment schedule. That can come later after you dispose of the statutory provisions. So, we are not held up now on it. I'm not aware of any problems.

Senator SCHMITT. It's my understanding the universities are.

Secretary BELL. No; these won't be now, I don't believe. Either Bill or Jim ought to respond to that.

Mr. DINGELDEIN. Mr. Chairman, in addition to waiting for action on the legislative provisions that we are proposing, we would not be in a position to issue the payment schedule until the Congress appropriates the supplemental appropriation for the Pell grant program. So irrespective of the action on the legislation, we could not proceed until we got supplemental appropriations for 1981.

Secretary BELL. We need to make it clear that that's to proceed with the payment part of it. We're not ready for that anyway. We go through the eligibility reports—an SER and we can proceed with that now, which is what we normally do. Is that correct, Jim?

Senator SCHMITT. You could proceed with small awards based on existing moneys, couldn't you?

Secretary BELL. We don't do that until later. Maybe Mr. Moore ought to talk about this procedure. I think it's important that we clarify it.

FUNDING FOR PELL GRANTS

Senator SCHMITT. I hope you'll include in your explanation, why we seem to be getting some disturbing reports from institutions that they are worried they will not have the amount of money that will be contributed by the Federal Government so that they can calculate other stipends that may be awarded to the same student.

But, go ahead, Mr. Moore.

Mr. MOORE. Yes, sir; Senator, that's absolutely right. The other group of players in this game is about 48 or 49 State grant agencies who also use the basic grant contribution as a factor in State awards that they provide. Now, as Mr. Dingeldein said a moment ago, in order to maintain the program at our planned level for 1981–82, we require two additional elements.

One, this set of legislative changes that is now before the Congress, and second, a supplemental appropriation which has also been put before the Congress in the amount of $661 million of which $440 million will be used for the 1981–82 program. Now, when those two pieces are in place, we can issue a payment schedule.

When people call me and say, "Look, I have to be able to use something," the best guidance I can give them is to use last year's schedule as a rough index of where we will be after July 1 of this year. That's assuming all of these pieces fall into place in the proper order, which I believe is the only way we can proceed.

If we wind up with a support level at $1.9 billion instead of $2.526 billion, we will have to reduce deeply the entire award program as we carry out the ratable reduction language in the law.

That's not an option—that would be a requirement on us, not an option.

Senator SCHMITT. That's current law, right, under the education amendments of 1980?

Mr. MOORE. Yes, sir.

USING THE STATUTORY REDUCTION SCHEDULE

Senator SCHMITT. Why didn't you use that as a measure of primary mechanism in order to achieve the savings that you're asking for?

Secretary BELL. We did not want to reduce unduly the awards to the poor. By carrying out the proposals that we have made, we will concentrate the money on the truly needy students. That's why we sent the regulation change up, and why we would like also to get our legislation enacted. Our proposal won't hurt the poor as much as just strictly following the law. Of course, if Congress turns down our legislative changes, we will go back to the ratable reduction schedule.

Senator SCHMITT. It was my understanding the reduction schedule in the 1980 amendments was adjusted to protect the poor students.

Secretary BELL. It doesn't quite do that. I received advice in the Department from the staff that analyzed this, and saw the examples given. I concluded that if we had to accept the reductions that were projected there was a better way to do it, and with our proposals we have. Our proposals are going to give larger awards to the low-income students where the greatest need is. We wanted to see that preserved.

It's a commitment of the President not to put too great a burden on the needy. We wanted to make the adjustments to fulfill that commitment. Incidentally, we made these proposals to OMB as counterproposals to some that they were looking at originally.

We have discussed this extensively among our staff and with the higher education community, and I think they have finally conceded after numerous huddles and reviews, that it does indeed preserve the larger grants for the low-income students.

It's highly technical, Mr. Chairman.

Senator SCHMITT. I recognize that.

Secretary BELL. It might be we could sit down with your staff and go over some numbers. In our testimony before the House we had, in the appendix of our testimony book, some examples of different types of students. We were able to indicate how we were able to protect the poor with our proposals and how they would be hurt and by what dollar amount if we went to the law.

Senator SCHMITT. I hope you would make that available to us also. I think the staff is going to have to work with you to better understand this and why you rejected some of the alternatives that might have resulted in a comparable saving.

[The information follows:]

EFFECTS OF PELL GRANT PROPOSALS ON STUDENTS AT VARIOUS INCOME LEVELS AND VARIOUS COST SCHOOLS IN FY 1982

The attached examples compare Pell Grant awards under the Carter and Reagan budgets in FY 1982 taking into account the Reagan budget reforms. The proposals that affect expected family contribution show up as changes in the family size offset, the State and local tax offset, and the "tax rate" on discretionary income. The $750 self-help proposal influences the size of the award after expected family contribution is determined. Expected family contribution is calculated on the basis of the following assumptions.

- o Family size of four
- o Two parents in household, both employed
- o One dependent inpostsecondary education
- o No contribution from assets
- o No unusual expenses
- o No elementary/secondary tuition offset

Under the Carter budget, the Pell Grant equals the lesser of half-cost, maximum grant minus expected family contribution and cost minus expected family contribution. Under the Reagan budget, the Pell Grant equals the lesser of half-cost, maximum grant minus expected family contribution, and cost minus the sum of $750 and expected family contribution. In FY 1982, the maximum grant is $1800 in both the Carter and Reagan budgets.

While self-help is not required in the Carter budget, most students would still have some financial burden left after the Pell grant and expected family contribution have been taken into account. This amount has been labelled "remaining need" in both the Carter and Reagan calculations. In cases where "remaining need" is large, other grant aid will be available to cover up to all but $750 under the Reagan proposals and that could be financed by means of work (including CWS) or loans (including GSL or NDSL) or other sources of student and family financing.

Family Income
= $12,000

	Carter Budget	Reagan Budget
Adjusted Cross Income	$ 12,000	$ 12,000
(minus) Family Size Offset	- 9,500	- 8,650
	2,500	3,350
(minus) Employment Offset	- 1,500	- 1,500
	1,000	1,850
(minus) Federal Income Taxes	- 872	- 872
	128	978
(minus) State and Local Taxes	- 174	- 0
Discretionary Income	- 46	978
(times) "tax rate"	x .14	x .20
Expected Family Contribution	0	195

Pell Grant at Schools Costing:		Pell Grant	Remaining need	Pell Grant	Remaining need
$2,000	=	$ 1,000	$ 1,000	$ 1,000	$ 805
2,400	=	1,200	1,200	1,200	1,005
3,600	=	1,800	1,800	1,605	1,800
6,000	=	1,800	4,200	1,605	4,200

Family Income
= $16,000

	Carter Budget	Reagan Budget
Adjusted Gross Income	$16,000	$16,000
(minus) Family Size Offset	- 9,500	- 8,650
	6,500	7,350
(minus) Employment Offset	- 1,500	- 1,500
	5,000	5,850
(minus) Federal Income Taxes	- 1,764	- 1,764
	4,236	4,086
(minus) State and Local taxes	- 353	- 0
Discretionary Income	3,883	4,086
(times) "tax rate"	x .14	x .20
Expected Family Contribution	544	817

Pell Grant at Schools Costing:		Pell Grant	Remaining need	Pell Grant	Remaining need
$2,000	=	$1,000	$ 456	$ 433	$ 750
2,400	=	1,200	656	833	750
3,600	=	1,256	1,800	983	1,800
6,000	=	1,256	4,200	983	4,200

Family Income
= $20,000

	Carter Budget	Reagan Budget
Adjusted Gross Income	$20,000	$20,000
(minus) Family Size Offset	- 9,500	- 8,650
	10,500	11,350
(minus) Employment Offset	- 1,500	- 1,500
	9,000	9,850
(minus) Federal Income Taxes	- 2,802	- 2,802
	6,198	7,048
(minus) State and Local taxes	- 560	- 0
Discretionary Income	5,638	7,048
(times) "tax rate"	x .14	x .20
Expected Family Contribution	789	1,410

Pell Grant at Schools Costing:		Pell Grant	Remaining need	Pell Grant	Remaining need
$2,000	=	$1,000	$ 211	$ 0	$ 590
2,400	=	1,011	600	240	750
3,600	=	1,011	1,800	390	1,800
6,000	=	1,011	4,200	390	4,200

Family Income
= $26,000

	Carter Budget	Reagan Budget
Adjusted Gross Income	$26,000	$26,000
(minus) Family Size Offset	- 9,500	- 8,650
	16,500	17,350
(minus) Employment Offset	- 1,500	- 1,500
	15,000	15,850
(minus) Federal Income Taxes	- 4,669	- 4,669
	10,331	11,181
(minus) State and Local taxes	- 934	- 0
Discretionary Income	9,397	11,181
(times) "tax rate"	x .14	x .20
Expected Family Contribution	1,316	2,236

Pell Grant at Schools Costing:		Pell Grant	Remaining need	Pell Grant	Remaining need
$2,000	=	$ 484	$ 200	$ 0	$ 0
2,400	=	484	600	0	264
3,600	=	484	1,800	0	1,364
6,000	=	484	4,200	0	3,764

AGREEMENTS REACHED ON PELL GRANT CHANGES

Senator SCHMITT. It's my understanding there does not seem to be a general understanding on the $750 self-help number.

Secretary BELL. Indeed there is not. The higher education community and some of the House subcommittee members are still arguing that one considerably. There was agreement on the regulations. That's the only place where we've come to agreement. I think we do now have consensus on the dollar amount to be saved. I think we are finally in agreement on $636 million.

Senator SCHMITT. Would you consider the ratable reduction as an alternative to the $750 self-help?

Secretary BELL. We won't have any choice if Congress will not pass our proposed bill. However, we are still hoping and trying to use every power of persuasion for our proposals. We think it's a better approach. If Congress won't amend the law, then we will go to the ratable reduction schedule. I think it's important that our proposed legislation be acted on so that we know if it's going to pass or not. Then we can proceed from there.

FINAL DATE FOR LEGISLATION

Senator SCHMITT. What do you consider the "drop dead" date, so to speak, for the higher education community out there in having this thing clarified and cleared up?

Secretary BELL. I think Jim Moore is the best one to answer that. He's been through this many times.

Mr. MOORE. Well, Senator, as you know from correspondence I'm sure you have received from institutions, they are now in the middle of putting their financial aid packages together for the 1981–82 school year. As far as the basic grant program is concerned, the drop dead date is probably July 1. A better one would be May 1, as far as the payment schedule is concerned, but that's only 4 weeks away, and it may be too soon to where we are now.

In the interim, the institutions, as I said earlier, are just going to have to use rule of thumb as far as the basic grant program is concerned. On the campus-based side, we will have their final award letters out in about 4 or 5 weeks, after we finish up the appeals process which is going on this week.

They would have to know about the GSL changes in May in order to plan for the implementation of that phase of the program this summer. What I'm saying is that it all comes together within the next 4 to 8 weeks.

Senator SCHMITT. When will your proposals be available?

Secretary BELL. They are before the House right now, Mr. Chairman.

Senator SCHMITT. You have submitted them?

Secretary BELL. Yes.

COMPROMISE ON PELL GRANT PROPOSALS

Senator SCHMITT. A possible compromise to this whole situation if things begin to bog down would be to take your indexing proposal at $134 million, perform the ratable reduction for $150 million, and then look to 1982, as the time when we would institute the new legislative proposals that would have the added advantage of giving the community and students more time to adjust.

Secretary BELL. That would be our second choice. We want to get our first choice passed if we can. I don't know how soon. We have appeared before the House subcommittee where there has been extensive testimony. I don't know how soon they will act on our legislative proposals. If they were to call them up and pass them and report them out, that would give us some cause for optimism.

On the other hand, if they act on them and vote them down, that will be another signal, and then we'll know where we're going. I'm still confident that they will pass our proposals.

Secretary BELL. The other thing I guess we should emphasize, Mr. Chairman, that in any event we are going to need the supplemental appropriation, and I'm sure you're aware of that.

SAVINGS IN GSL

Senator SCHMITT. Yes, sir; Mr. Secretary, the administration is proposing to eliminate the in-school interest subsidy for guaranteed student loans. This will mean students will either have to pay 9-percent interest per year while in school or the interest will accrue on the loan and be repaid after graduation. It's assumed that few, if any banks, will permit students to choose the latter option, since this might cause some cash flow difficulties.

How much will this basic proposal save, in your estimation?

Secretary BELL. Mr. Dingeldein can supply that specific number.

Mr. DINGELDEIN. The elimination of the in-school subsidy accounts for about 60 percent of our savings in GSL. In 1981 the total savings amounts to $167 million. In 1982, it's $741 million.

Senator SCHMITT. Won't some students who might be classified as truly needy have to come up with as much as $225 per year to cover the interest on their loans?

Secretary BELL. They certainly will have to figure that into their calculations.

Mr. MOORE. Could I add a point to that? As part of this process, Senator Schmitt, we are going to add the cost of the interest subsidy on the student's budget as part of the cost of attendance of college. It is an increased cost, and therefore, it could be met from a practical standpoint through earning more as in our work-study program, or in other forms of aid. In other words, we're not going to leave the student hanging here with this added interest requirement looming over him without help, especially in the out-years, where, as you point out, a junior or senior or graduate student might be liable for several hundred dollars a year interest.

Senator SCHMITT. If you were a banker, which way would you go?

Mr. MOORE. It depends, I think, on the size of the bank I had. If I were Mr. Chase of Chase Manhattan, I would let it accrue and capitalize it at the time the student left school. If I were the First National Bank of Clackamas County, Oreg., with perhaps 80 borrowers, I probably would collect it during the year.

Senator SCHMITT. Do you think some banks will choose not to participate in the guaranteed student loans program?

Mr. MOORE. I've heard that, but I would make this observation. Between 1956 and 1965, there were created in this country 17 State-guaranteed loan programs. This was before the Higher Education Act. Every one of them, save the State of New York, which introduced a subsidy, had guaranteed loan programs with no interest subsidy, and the interest was paid while the student was in school. These weren't large programs. Most of them, however, had pretty wide banker participation, and as I recall, at the time we were framing the Higher Education Act in 1964, this matter of collecting the interest was a problem that had already been solved at the State level between the State agencies and the banks.

Mr. DINGELDEIN. Mr. Chairman, during our testimony before the House we were asked to develop some additional options on how this particular problem could be dealt with. It might be useful to put them in the record at this point, if you would like.

Senator SCHMITT. Yes; we'd like that very much.

[The information follows:]

OPTIONS FOR PAYMENT OF IN-SCHOOL INTEREST ON GUARANTEED STUDENT LOANS UNDER REAGAN PROPOSAL

In recent meetings with participating lenders and servicers, several options for collecting interest were discussed including the following:

1. Periodic Billing by Lender

   Prior to enactment of the Higher Education Act in 1965, there were 17 States that had guaranteed loan programs. With the exception of New York, there was no interest subsidy on any of these loans. Most lenders billed students periodically (monthly, quarterly, semi-annually or annually) for the interest that accrued prior to the beginning of the repayment period.

2. Lender Accrual and Capitalization

   Under this procedure, the amount of interest would be accrued by the lender until repayment begins, at which time it would be added to the principal obligation, and the borrower would repay both the original principal amount of the loan plus the accrued capitalized interest--all at the applicable interest rate of the loan. The Federal special allowance would be paid on the basis of the inflated principal amount.

   The allowable frequency of interest capitalization is an area which needs some study and input from the lending community. Options include annual or semi-annual capitalization or capitalization only when payment of principal begins or resumes. The latter method is currently used in the GSL program for pre-1978 "nonsubsidized" loans and for periods of lender forbearance.

3. Immediate Principal Add-on Method

   Under this method, the lender would precompute the amount of interest that would accrue over the borrower's expected in-school and grace period based on the estimated date of graduation reported by the school on the loan application. This amount would be added to the amount borrowed and reported on the promissory note at the time of disbursement, similar to the practice currently used by many commercial banks on conventional loans. If the borrower's education program is shortened, the lender would have to calculate a "rebate" of unearned interest when the loan entered repayment. If the program is extended (e.g., graduate school), a new note would be signed by the borrower with the appropriate amount of interest added to the new note calculated to the new anticipated graduation date. This method was used by the Ohio agency prior to 1965.

4. Discounting of Interest

Similar to another commercial banking practice, the lender could deduct or "discount" the interest that would accrue over the in-school and grace period based upon the borrower's anticipated date of graduation. This would result in the borrower receiving a "net" loan amount disbursed (total loan less discounted interest). Since the amount of interest that would be deducted could substantially reduce the amount available for payment of educational expenses, the statutory limits on amounts that could be borrowed by students annually would probably have to be increased in order to maximize the effectiveness of this approach.

A variation on this theme would be to amend the regulations to permit a borrower to pay interest as it accures out of loan proceeds (i.e., treat interest as an educational expense). Either student or parent loans could be used for payment of student interest.

5. Interest Payments by Other Program Participants

It can be expected that some States, schools, or other agencies may elect to pay the interest to the lenders on a periodic basis (similar to the payment of the Federal interest subsidy). This may be done on either a grant or loan basis. Some high cost private colleges have already indicated that several variations on this theme may be practical. Prior to 1965, New York paid the interest on behalf of its students and currently does so for special loan programs for medical students which are outside the coverage of the Higher Education Act.

6. Billing and Collecting Services

It can be anticipated that some guarantee agencies may elect to bill and collect the interest from the students in order to reduce lender administrative costs. The agencies would then pay these amounts to the lenders in a fashion similar to the way the Federal government currently pays the interest subsidy. Similarly, some participating educational institutions may wish to perform this function. This would be particularly feasible in the case of schools whose students are generally served by a limited number of lenders.

As a result of these discussions, consensus was reached that Options 1 (periodic billing by lender) and 2 (lenders accrual and capitalization) are the most viable methods for the handling of in-school interest payments.

INCOME CAP ON INTEREST SUBSIDY

Senator SCHMITT. Could you tell me, did you consider eliminating interest subsidy for students over a certain income level?

Mr. DINGELDEIN. As I mentioned earlier to Senator Burdick, the main problem is that it doesn't really save that much money. Of course, that depends on where you put the income cap. But as I mentioned, approximately 60 percent of our GSL savings result from the elimination of the subsidy. To the extent that you protect a large number of those borrowers with subsidies, you reduce the cost savings considerably.

Senator SCHMITT. I hope you can stay for one more round here. We'll try to finish it up, as soon as I get back.

Secretary BELL. Well, I can, Mr. Chairman.

[A brief recess was taken.]

GSL ESTIMATES

Senator SCHMITT. The subcommittee will come to order. Mr. Secretary, we will try to rush through the final distillation here and submit other questions for the record.

Again, back to the guaranteed student loan issue. The latest Reagan administration estimates for the fiscal year 1981 cost of the guaranteed student loan program is $1.95 billion. The Carter administration estimate in January was $2.312 billion. The Reagan estimates are based on assumed Treasury bill rates of fiscal year 1981 of first quarter, 14.5 percent, second quarter 13.5 percent, third quarter, 9.8 percent, fourth quarter, 9.5 percent. The Congressional Budget Office, Senate Labor and Human Resources Committee, the Senate Budget Committee have all rejected these estimates and feel program costs are likely to equal or exceed the Carter estimate.

In light of this widespread skepticism, had there been any discussion of revising the figures?

Secretary BELL. Yes, there has. Our colleagues in Treasury still think that their estimates are realistic and within the ball park. Therefore, we have stayed with our estimates. I hope we're not too far off, because if we are, Mr. Chairman, we will be back before you, asking for more money.

Senator SCHMITT. And we provide ketchup with our crow around here. [Laughter.]

Secretary BELL. I have never liked that diet of crow. I've had a lot of experience eating it. I hope I won't have to after this.

Senator SCHMITT. Well, we make it very enjoyable.

Secretary BELL. I might well be before you eating that crow—I hope not.

Senator SCHMITT. Well, I hope you'll keep your eye on that particular issue. The subcommittee's economic hearings made me very skeptical. I don't like to go through the supplemental process more than once.

Secretary BELL. Right.

Senator SCHMITT. I hope that this committee under the able leadership of Senator Hatfield will avoid that process completely, but we can't do it if we get unrealistic guesstimates from the administration and from other sources. You're going to find us quite conservative on what you can do, all the while we're trying to make sure that it actually comes out your way.

Secretary BELL. I appreciate that. It's a little hard for the Education Department to persuade the Treasury on matters like this.

Senator SCHMITT. You ought to have a corner on all the good academic economists there are in the country.

Secretary BELL. Well, there are a few that talk to Treasury.

Senator SCHMITT. Oh, there are? [Laughter.]

Well, I'd like to know who they are.

GSL RESCISSION

Since the administration is proposing a rescission of $103 million from the level of $1.95 billion for a new program level of $1.847 billion in fiscal year 1981, might this not cause a serious shortfall for funding for GSL's, and when would that shortfall begin to manifest itself?

Secretary Bell. Jim Moore, again, has lived with this program through the years. Jim, could you discuss those estimates?

Mr. Moore. Well, Senator, the primary savings, as Mr. Dingeldein indicated earlier, for that $103 million rescission, is directly attributed to the withdrawal of the interest subsidy this summer. As far as I know right now, we should be able—"should"—be able to get through the year, provided there is a continuing decline in Treasury bill rates, and a consequent decline in the special allowance rate. We have just computed the special allowance rate for the first quarter of this calendar year, and the rate that we will pay the banks is $11^{5}/_{8}$ percent, which is the highest in the history of the program. It was $10^{5}/_{8}$ a year ago. It was 11 percent in December.

That's for the 90 days prior to this time. We are hopeful that the OMB estimates are close to the mark, and that there will be a steady decline for the last two quarters this year. To be more specific, if there is going to be trouble as far as our ability to meet our obligations to the banks, we will know about it by the end of the next 90 days.

GSL ESTIMATES

Senator Schmitt. Please keep the committee informed as to your estimates. I fought the first 4 years of my tenure in the Senate for realistic estimates of inflation and interest rates on the part of the Carter administration, and I seem to be doing the same thing on the part of this administration. I wish they were where you are, but I just frankly don't think it's safe to do that. I think it causes political, as well as technical difficulties to have underestimated that. You don't have to comment, unless you want to.

Secretary Bell. I don't think any further comment would be helpful, Mr. Chairman.

Senator Schmitt. I might just add, that's one of the reasons why this subcommittee and the full Committee on Appropriations, I think, is going to have a very, very difficult time reaching the level of the administration's rescission proposals, because it's very difficult for us to be intellectually honest with ourselves and with the recommendations we have received as a committee, formally and informally, to adjust to the administration's figures for inflation, interest rates, unemployment, and so forth.

Secretary Bell. Well, I just emphasize that, obviously, those outside of the area of education are the ones most knowledgeable about this. We have discussed these projections numerous times, and I have raised questions about them, and been assured——

Senator Schmitt. I am sure you have, and others have also.

Secretary Bell [continuing]. That these are realistic estimates, if not a bit on the safe side.

Senator SCHMITT. All of us who don't work for the Treasury and the OMB are economic illiterates, I hear. And that's your fault, because you're the head of the Department of Education, which should have been teaching more economics. The record will show we all are sitting here grimacing rather than smiling.

Secretary BELL. I don't know if the study of economics is a more exact science than the science of pedagogy, but those who seem to know really have a lot of faith in those numbers.

Senator SCHMITT. Let's see, the study of pedagogy has to do with counting on your toes, as well as your hands.

Secretary BELL. That's advanced pedagogy. [Laughter.]

VOCATIONAL EDUCATION AND CETA

Senator SCHMITT. With respect to vocational education, Mr. Secretary, my first question is, Why in the world can't we have a vocational program under one hat that includes what's going on in Labor and Education? Are you and the Secretary of Labor discussing that possibility?

Secretary BELL. There has been some discussion. There's a feeling that that part of education that trains for employment, that is institutionally based and, therefore, relates to schools and colleges, ought to be under the Department of Education, and that part that relates to the work place, the on-the-job situation, should be under Labor. That's the distinction that's been involved thus far.

Senator SCHMITT. Do you feel that that distinction is fairly well reflected in the budgets of the two departments?

Secretary BELL. Well, I guess it is. There's a 10-to-1 State/local to Federal match in the funds spent for institutionally based vocational education. You could take the $800,000 before the reduction, and because of the 10-to-1 matching from the States and localities, there is 10 times that amount of money available.

The Labor Department CETA budget, I'm sure you know, is being changed dramatically. That's part of why Labor's proposed budget cuts from this administration are higher than ours.

Senator SCHMITT. This committee is looking very hard at the question of cuts in the vocational programs of CETA, the ones that show what they call a high positive termination rate, as being worth continuing. There's still some question in the minds of the committee members whether the total vocational effort wouldn't be better coordinated under one Department.

Secretary BELL. Yes.

Senator SCHMITT. We will be examining that further with Secretary Donovan next week.

Secretary BELL. If we are responsible, as the entity in the Government, for relating to schools and colleges, and if we can coordinate other matters that we talked about today, there is good reason for at least the institution-based vocational education, some of which goes to community colleges and high schools, to be based in the Department of Education. We don't relate quite as easily to the workplace, since that's where labor has more jurisdiction and concern. Surely there's got to be coordination.

Senator SCHMITT. One way of insuring that coordination would be to put the programs in the Department of Education and encourage the Labor Department to contract with you on a reimbursable basis in those areas where they have the closest contact.

Secretary BELL. That could be; that could happen.

Senator SCHMITT. There are good examples of that kind of cooperation between agencies, without any increase in overhead costs.

Secretary BELL. Right; vocational education has, at a minimum, some academic components. Students need basic math as well as other disciplines in some vocational education, especially in the technology areas when they get into sophisticated electronics. They may need some physics. We already have that in place in academe and can coordinate such programs.

Senator SCHMITT. In addition, the remedial programs that many of the vocational systems find they are having to include.

Secretary BELL. Very much so. I agree with that.

VOCATIONAL EDUCATION AND PROPOSED BLOCK GRANTS

Senator SCHMITT. What special characteristics of vocational education justifies its exclusion from the proposed block grants to States and localities?

Secretary BELL. The fact that the bill is expiring and is up for reauthorization, was one reason we wanted to keep it out. In addition to that, vocational education relates to a different clientele. Most of the vocational education money goes to senior high schools and to colleges. Some universities, 2-year colleges, technical institutes that are beyond high school, community colleges, and some of the State colleges and land grant universities participate in Federal vocational programs.

The other block-grant programs are elementary and secondary based. It's administratively cleaner to put the education for the handicapped and the title I program, and other smaller programs in the block grant, than it is to put the vocational program in there, because then you relate to a jurisdiction that has to do with higher education governance.

It's an entirely different structure out in the academic world, which is another good reason for not putting vocational education in there, along with the fact that the bill is expiring and will be before you for reauthorization of the expiring statute.

VOCATIONAL EDUCATION—PROPOSED REDUCTION

Senator SCHMITT. In view of the obvious failure of what we've done so far to significantly affect the structurally unemployed, do you think a 25-percent cut in vocational education is appropriate?

Secretary BELL. Well, it's difficult, and I have trouble with the magnitude of this cut. It really doesn't cut as deeply as it appears, because the matching is 10-to-1 already. The requirement in the law is that States and localities match Federal funds 50–50, but the actual matching because of State and local commitments is $10 State and local to every $1 Federal. The 25-percent cut needs to be kept in that perspective. Though this is not to minimize the cut.

VOCATIONAL EDUCATION—FEDERAL ROLE

Senator SCHMITT. You wouldn't argue for a total withdrawal for the Federal contribution with that kind of a match, would you?

Secretary BELL. I think there are still some things that we can do in vocational education on the Federal level.

I think some aspects of the program justify continuation of it—going beyond the basic grant part of the program into the other needs of vocational education such as research and demonstration efforts. What we want to do with the funding we have proposed is to hold the status quo until we can work with you in writing a new bill that, hopefully, can take a new direction for vocational education.

I find, in the analysis of the Federal role on education, that even the more conservative scholars emphasize the need for more emphasis on vocational education. Such sources as the Heritage Foundation and their writings emphasize that.

I think that we have a good opportunity to draft proposed new legislation that could breathe fresh new air into a program that needs it badly.

STATE COMMITMENT TO VOCATIONAL EDUCATION

Senator SCHMITT. A 10-to-1 match implies that the States have made a very strong commitment to the vocational education programs that appear in various sectors of the academic world.

The normal structural portion of our education system, where that commitment is not so clear and where the national interest may be clear, is in the treatment of the problem of the hard-core structurally unemployed.

Secretary BELL. Yes; I agree with that.

I think we ought to have a wait-and-see attitude for now. If we can come up with a good bill, a good proposal that merits your support and attention, then maybe we can get a green light to move ahead.

VOCATIONAL EDUCATION UNDER LABOR OR EDUCATION

Senator SCHMITT. What I've just said—if it turns out there's agreement under that—means that under the present distribution responsibility, the bill would be largely a Department of Labor bill.

Secretary BELL. It might well be.

I'm sure I'm biased on behalf of Education—at least, I certainly should be. I would see the need for any funding that goes to schools and colleges, to be through the Department of Education, or whatever our successor organization might be, because we can relate it to many other things.

For example, we have the work/study program in the student aid package, and there are other things that we can do, as we relate to all of academe, that certainly the Labor Department couldn't do; and if they did, they would be duplicating our relations to schools and colleges. They'd have to set up an education component to do that.

It might be feasible to transfer the whole operation into one Department or the other.

ADULT EDUCATION

Senator SCHMITT. Why is adult education being included in the block-grant proposal?

Do you consider that nonvocational?

Secretary BELL. It's primarily for teaching basic skills to eliminate adult illiteracy. And for that reason, we have placed it in that area. It serves a largely disadvantaged population, and we see it as being administered by the same entities.

HIGHER EDUCATION FACILITIES LOAN AND INSURANCE FUND

Senator SCHMITT. Mr. Secretary, the administration has asked for a deferral of $25 million in loan authority, under the higher education facilities loan and insurance fund. The budget justification for this account states: "The unobligated balance in the fund is dropping at a precipitous rate"; in testimony last year, the Department witnesses indicated they thought the fund would level off at $30 million in 1985.

Do you have an explanation for this discrepancy?

Secretary BELL. Yes; Sally has been wrestling with this matter, and I'll ask her to respond, if she would, please.

Ms. CHRISTENSEN. Mr. Chairman, the difference between this year's statement and last year's estimate is primarily due to the increase in interest rates charged to us by the Treasury Department. Last year, because of the interest rate percentages we were using, we estimated that repayments to the fund would equal our interest expense and the fund would level off. Because of the interest rate increase over the past year, however, that will not occur by 1985.

We do anticipate that there will be approximately a $6.5 million carryover at the end of fiscal year 1982. However, as you know, there was recently a GAO determination that the House's intent under the continuing resolution was that $25 million be made available for new loan construction and that the money in fact was appropriated for that purpose. To make funds available for new loans, therefore, would throw us in a deficit to the point where we would have to find approximately $20 million—the difference between the $25 million and the $6.5 million. That is, we would have to find nearly $20 million from other scarce resources in the 1982 budget to fund construction. Because enrollments are declining and because of a very tight and restrained economy construction is a lower priority than other areas of educational need.

Therefore, we are requesting that these funds not be rescinded and returned to Treasury, but that they be deferred. This means they would remain in the revolving fund to maintain the integrity of the fund. That is, we would make interest payments on loans that were made in prior years.

This is a noncontrollable cost.

Senator SCHMITT. Have you had any indication from the House of what they will do with this deferral?

Ms. CHRISTENSEN. No; we have not. We have had hearings, but they have not reported yet.

Senator SCHMITT. If the House happened to disapprove the deferral, would we have to appropriate money, then?

Ms. CHRISTENSEN. That would be up to you people. If they turned it down, you would still be able to pass the deferral yourself. Then, of course, it would go to conference. The proposed appropriation language would also have to be changed.

Secretary BELL. Wouldn't it be inevitable that we would have to seek an appropriation in 1982, Sally?

Ms. CHRISTENSEN. Tom, you might want to speak to that.

Mr. SKELLY. I think, in a case of a deferral, just one House can disapprove. Only if we remove $25 million in 1981 will we require an appropriation in 1982.

Ms. CHRISTENSEN. If the Congress makes the money available for new loans, we will make the money available for new loans. There will be no question about that. But then we will be forced to come up with a supplemental in 1982 for $20 million in order to meet mandatory interest expenses.

Senator SCHMITT. OK. That's what we need to have in the back of our minds.

HOWARD UNIVERSITY

With respect to Howard University, in last month's education hearings, this committee requested a list of salaries and benefits for administrative employees at Howard University, which we have just recently received. I don't know whether you have seen that list, Mr. Secretary.

Secretary BELL. No, I have not, Mr. Chairman.

Senator SCHMITT. Then you are not aware that more than 25 top administrative personnel at Howard University earn in excess of $50,000 a year, supplemented by various other benefits?

Were you aware of that?

Secretary BELL. No; I'm not familiar with their salary structure, at all, Mr. Chairman.

Senator SCHMITT. The president of Howard earns a salary of $101,432, plus $25,000 for commutation, plus a house, use of an automobile, and a range of other benefits.

Do you have any feeling in your own mind that those salaries may be a little bit out of line, relative to the rest of academia?

Secretary BELL. I'm not familiar with the salary structures in higher education, outside of my own home State. These salaries would be a little bit higher than out there. It may be a larger university, and a much more responsible position.

Another thing that has to be considered is the distinction with which the person is performing the responsibilities.

Senator SCHMITT. The basis of this area of discussion is that, since the Federal Government provides 58 percent of Howard's operating costs, do you feel there are sufficient oversight procedures in monitoring the way Howard spends its funds, such as the salary structure?

Secretary BELL. I assume that they have the same amount of autonomy that other governing boards have. I'm really not thoroughly familiar with that.

Senator SCHMITT. I think the best thing to do is let you provide for the record your assessment of the oversight, and the process by which the Department assesses Howard's budgetary needs, before you make a submission to the Congress.

Secretary BELL. Yes; we would also need to see how this structure compares with other institutions. Maybe we could get a report for you on this.

Senator SCHMITT. That would be very helpful.

[The information follows:]

ASSESSMENT OF HOWARD UNIVERSITY'S BUDGET

Howard University's fiscal year 1982 budget request, as were those of the other special institutions, was reviewed and evaluated by the budget analyst having primary responsibility for this account, as well as others—including senior officials—in the Department. Each component—the academic program, hospital, and construction, in the fiscal year 1982 budget request, was thoroughly scrutinized before funding levels were determined.

Also, before making a decision on the university's budget, site visits were made to the institution by departmental staff, as well as scheduled meetings which were held between departmental officials and Howard administrators, including the president of the university. These site visits and meetings were essential to the decisionmaking process. They provided insight into the interworkings of the university, as well as furnishing essential data on which to make informed judgments, thus better enabling the Department to ascertain, sort out, and priortize Howard's budget request.

Prior to the fiscal year 1982 budget submission, oversight of this activity, as well as oversight of the other special institutions, was the responsibility of what is now the Department of Health and Human Services—HHS.

HOWARD UNIVERSITY'S NONFACULTY SALARIES

Howard University engaged the firm of Hay Associates to do a position-by-position evaluation of nonfaculty salaries at the university at the request of Congress in 1976. Hay Associates completed its report in March 1977 and made the following statements concerning nonfaculty salaries at the university including that of the president:

"In the Howard University study reported herein, salary comparisons were made with three institutions of higher learning in Washington, D.C. These institutions were American University, Georgetown University, and George Washington University. * * * In addition, salary comparisons were made with the Hay Associates data base of nearly 200 institutions of higher learning in the United States. Also, the consultants studied, for comparison purposes with Howard University, the "Administrative Compensation Survey Research Report: 1975–76," prepared by the College and University Personnel Association (CUPA)."[1]

In the same report Hay Associates stated the following:

"It is the judgment of Hay Associates that the status of Howard University within higher education in the United States requires salary levels that will be among the top 25 percent of the salaries paid by universities throughout the Nation. If this level is not maintained at Howard, the institution will lose its most talented administrative and professional staff to other universities, to Government, and to industry. Because of the historic role of Howard University in providing higher education for minorities, the institution has become a primary focus for personnel recruitment by organizations seeking to implement affirmative action plans. Howard University continues to be the principal academic institution providing comprehensive academic and professional education for minorities in the United States. Its need to retain talented administration is equal to its need to retain a talented faculty. In the opinion of Hay Associates, the critically educational roles of Howard University must be supported with the establishment of a salary administration program that will insure that all of the human resources needed for institutional operations will be available. We feel that our recommendations are fiscally responsible and will be managerially effective."[2]

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[1] Summary of Findings and Final Recommendations of Hay Associates Concerning Compensation Practices for Administrative and Professional Positions at Howard University, Washington, D.C. March 1977, p. 3.

[2] Ibid. p. 16.

The purpose of providing these excerpts from the Hay Associates study is to indicate that Howard University underwent a very thorough examination by this nationally recognized firm in the area of nonfaculty administrative positions including that of the president. The salary recommendations provided at that time were implemented. Subsequent salary increases included only annual cost-of-living increases in the base salary of the president that were provided other employees in the metropolitan area including those in the Federal Government.

ALTERNATIVES TO THE DEPARTMENT STRUCTURE

Senator SCHMITT. Mr. Secretary, I was wondering if there was anything new from our last informal discussion, as to the examination of alternatives for maintaining the Cabinet-level Department of Education?

Secretary BELL. No; there is nothing new, Mr. Chairman. I have a responsibility to submit alternative proposals to my colleagues in the White House. I have not had time yet to get into that, but I anticipate that we will start soon.

OVERSEAS DEPENDENT SCHOOLS

Senator SCHMITT. Have you had an opportunity to examine the Department of Defense's overseas school system, which either is or will be under your responsibility, if you continue as a department?

Secretary BELL. Yes; we have examined that system, and have had discussions with OMB and with the Secretary of Defense. I think that the administration will be taking a position on that quite soon. I'm not in a position, at this time, to say what that will be.

Senator SCHMITT. Did your examination produce a formal report?

The overseas school system has always been some sort of a mythical beast. Many of us in the Senate don't even realize that it's potentially under your jurisdiction.

Secretary BELL. As I understand it, according to the act that created the Department, some time between now and 1983 the transfer is supposed to take place. I think we are obligated to notify you by May of this year as to what our intentions are.

So, we will need to come to you quite soon, with that notification.

I think May 4 is the deadline, the anniversary date when the Department officially came into being.

I'm confident that we will have a report within that deadline.

Senator SCHMITT. Obviously the overseas school system could affect your budgetary request for fiscal year 1982, depending on which way the option goes. It wouldn't necessarily affect the total Government request, but it would affect yours.

AFFECT OF ORGANIZATIONAL STRUCTURE ON SALARIES AND EXPENSES REQUEST

Are there any other aspects of your consideration of the future of the Department, as an organizational entity, that would affect budgetary requests—salaries, expenses, and otherwise?

Secretary BELL. I don't know of any other items that are under consideration at this time.

Senator SCHMITT. Is there an inherent overhead, in being a department rather than agency?

Secretary Bell. I guess there is some.

Senator Schmitt. You have to go to the White House more often, travel costs, things like that?

Secretary Bell. The salary of the Secretary is higher than that of an agency head, by a few grade levels; and that, then, applies to the others in the Department.

I might just indicate that we are going to operate with fewer assistant secretaries than we had, by three or four. We would reduce more than that, but they are statutory. We intend to cut down on the number of deputy assistant secretaries in our organization, to try to have a more lean and hungry operation than we have had.

Senator Schmitt. Mr. Secretary, I would encourage you, in everything else you are doing, to look at how the Department can use its moral leadership, as being the most essential Department, to influence the long-term future of the country, certainly on a par with the Department of Defense.

Without an adequately educated electorate, the country will not survive.

You have a great deal of moral power behind you, in your efforts. I hope that that will prove to be sufficient to get the States to act responsibly, in this new era of increased State responsibility.

Secretary Bell. I surely agree, Mr. Chairman. I very much appreciate your commitment to education and your concern for it.

SUBMITTED QUESTIONS

Senator Schmitt. Thank you for your testimony.

We have many additional questions to be answered for the record in somewhat more detail than some of those that you have had today. We hope that we can have them promptly.

The whole Appropriation Committee is trying to move in lock step with the House, so that it will not be our fault that you run into any uncertainties, as we approach mid-summer.

Secretary Bell. We will try to respond very promptly to the items that you need for the record. I will remind my colleagues here that I have made this commitment before the chairman.

Senator Schmitt. You will have a chance, of course, to correct the transcript. If we can have your answers to questions along with that corrected transcript, that would be of great assistance.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FAIR SHARE

Senator Burdick: North Dakota is getting badly hurt by the Department's Fair Share plan. If enrollment figures were used in these calculations, how recent were they?

Answer: When we talk about "fair share", we mean that all Federal government activities must participate in the President's program to reduce spending and inflationary pressures. Education is reduced by nine percent from the comparable 1981 continuing resolution level in 1981 and by two percent from the revised 1981 level in 1982. Other agencies, such as Commerce and Labor, took larger reductions. The reductions were part of the overall program to combat inflation and were not based on enrollment figures.

Senator Burdick: Were reductions from last year uniform among schools within a State?

Answer: Because a very minor amount of Federal education funds goes directly to individual schools, it is difficult to assess the impact of the total reduction on any one school. However, we would estimate that fiscal year 1981 reductions from the previous year among schools would be uniform for funding received under formula grant programs. Fiscal year 1982 reductions for individual schools would depend upon the decisions of States and localities under the block grant consolidation.

Senator Burdick: On what basis were such reductions made?

Answer: Our estimates of reductions for individual schools are based on the total percentage of reductions for programs. Again, these are just estimates.

BLOCK GRANT ALLOCATIONS

Senator Abdnor: I understand there has been some discussion concerning whether to give LEA block grants directly to the local entities or channel them through the States. Could you please elaborate on this?

Answer: The Administration's proposal will allocate all consolidation funds to States for distribution within States. As a transition over the first two years, however, some portion of the funding allotted to States must be allocated among districts on the basis of previous allocations under Title I of the Elementary and Secondary Education Act. This proposal is based on the view that States bear ultimate responsibility for education and are in the best position to determine how State and Federal programs and funding can be coordinated for the education of students with special needs. Moreover, there would be administrative difficulties if the Federal Government were to distribute funds directly to 16,000 school districts. In some cases, there is an absence of satisfactory data at the Federal level on which to base a distribution.

ADULT EDUCATION

Senator Schmitt: You have examined the Adult Education Act since the first draft of the block grant concept and have moved the Act from an LEA block to a State block. What is the Department's rationale for the placement of the Adult Education Act program in a block which is primarily focused on children?

Answer: First, the adult education programs primarily serve students from educationally deprived backgrounds and the services provided extend through the secondary level. Both of these characteristics make this program appropriate for inclusion in the consolidation grant for special need students. Currently, States and local school districts operate adult education programs as one part of a wide spectrum of educational services serving various populations. Based on assessments of local conditions and needs, State and local educational agencies distribute available resources among various services and populations, including adult education. The Department's proposal for block grants, in essence, seeks to use these local mechanisms, which are far closer to the populations served than the Federal Government, to allocate Federal funds for elementary and secondary education. The Department believes that States and local school districts are capable of identifying their need for adult education programs and allocating the appropriate portion of block grant funds to this purpose.

BLOCK GRANTS

Question: This subcommittee is extremely interested in your plans to consolidate some 45 education programs into block grants. What is the present status of your block grant proposal?

Answer: The Department has completed the necessary staff work and is putting the finishing touches on a legislative package.

Question: When do you expect to be able to present it to the Congress for consideration?

Answer: The Department anticipates that the legislation will be ready for submission in late April or early May.

Question: In your original draft, do you provide some guidelines or restrictions on State and local education agencies for use of the funds?

Answer: The proposed legislation identifies the purposes for which State and local educational agencies may expend block grant funds. One education block grant is intended to serve students with special needs--educationally deprived children, handicapped children, children in schools undergoing desegregation, migratory children, neglected and delinquent children, and adults lacking certificates of graduation. Under this grant, funds may be used for the same purposes as the existing programs for these students. A second education block grant will support a variety of activities -- projects to strengthen school curricula; projects to increase community involvement in school programs; professional development programs for educational personnel; pilot and demonstration projects; regional and interstate educational programs; technical assistance and dissemination of information to strengthen school instructional programs; studies and other projects to improve school management and coordination of resources; the acquisition of library resources, textbooks, instructional equipment and material; and programs to strengthen State educational oversight and management. All of these uses of funds are taken from the 30 or so programs that would be folded into the consolidated grant for improving educational resources.

Question: What accountability will there be to ensure that funds are used for designated purposes?

Answer: States will announce, in advance, how they plan to spend block grant funds and the students to be served. The plan must be made public to facilitate comment from interested individuals or agencies (including Federal agencies). States will report later how they spent Federal funds and will be responsible for conducting periodic audits to assure proper expenditures.

Question: Will you be submitting a revised fiscal 1982 budget based on current laws for education?

Answer: At present, the Department has no plans to submit another revised budget.

Question: Will you be submitting a revised fiscal 1982 budget based on current laws for ESEA?

Answer: The Department's current plans are tied to passage of the proposed block grant legislation and, therefore, it does not expect to submit a revised submission for elementary and secondary education programs. If, of course, the Congress requires additional or different information, the Department will make every effort to supply it.

Question: A large part of the rationale for the block grant proposal and related budget cuts is that States and local education agencies could provide comparable services with less Federal aid if freed from constraints of Federal categorical restrictions, i.e., administrative requirements, paperwork, etc. Does this mean that you would request more funds for elementary and secondary education for fiscal year 1982 if your block grant proposals are not enacted? If not, why not?

Answer: In general, the proposed funding levels for education programs in fiscal year 1982 reflect the Administration's judgement that reduced Federal spending is necessary to control inflation. Lack of action on block grant proposals would not, therefore, prompt the Department to request additional funds for programs scheduled for consolidation. The Department believes, however, that any given level of Federal spending would make more funds available for services to children if channeled through block grants rather that through a series of categorical programs since, under block grants, administrative costs would claim fewer dollars. Such administrative savings take on additional significance in a time of reduced Federal spending.

Question: Will the block grant legislation contain a "maintenance of effort" provision to ensure that State and local governments do not use their Federal grants to supplant State and local funds?

Answer: The Department's block grant proposal will not incorporate a maintenance of effort provision. As you know, several existing elementary and secondary education programs, most notably Title I of the Elementary and Secondary Education Act, now have such provisions. Experience has demonstrated that these provisions have several drawbacks. They, in effect, impose a double standard by requiring higher expenditures from areas which have historically spent more on schools than from areas which have spent less. Because, under a maintenance of effort provision, a school district must maintain a given level of spending indefinitely, the provision can discourage districts from increasing expenditures. This would be true particularly when the agency involved has received what it considers a one-time windfall. A maintenance of effort provision can also, in some circumstances, deter school districts from seeking cost-saving measures since they must, in any case, maintain a certain level of spending. Maintenance of effort provisions also do not take into account changing economic circumstances. They penalize districts with declining tax bases and, in general, ignore the effects of inflation on education expenditures. In States like California and Massachusetts which have adopted tax-limitation measures, they can impose significant pressures on local districts. At least for Title I, it has long been argued that a maintenance of effort provision alone is not sufficient to assure that Federal funds supplement State and local spending. As a result, the current statute includes at least three other requirements -- excess costs, comparability and supplement, not supplant. The end result for school districts has been a web of fiscal controls which they find burdensome and which, it has been argued, has little real connection to essential educational concerns.

Question: The migrant program differs from other education programs in that the highly mobile child is often the concern of school districts in more than one State. The child's "local education agency" is actually an interstate segment of a nation; therefore, the success or continuity of such a child's education depends on central leadership and the joint cooperation of States. Given the unique administration problems involved in educating migrant students, what is the rationale for folding this program in block grants?

Answer: One of the basic goals of the proposed block grant is to provide financial resources to States and local educational agencies so that they can serve children with special needs, including migrant children, and do so with a minimum of administrative, regulatory and reporting burden. This goal stems from a recognition that States and local school districts have, under our Federal system, the basic responsibility for elementary and secondary education and are uniquely placed to design programs which suit local needs. Although migrant education has regional or interstate dimensions that other education programs may lack, it is still true that an effective migrant program is virtually impossible without the active participation of States and local school districts. By this measure, migrant education belongs in the proposed block grant. In order to reflect the uneven distribution of migrant children across the States, the block grants' allocation formula will take migrant children into account in much the same manner as the current Title I formula.

To the extent that interstate coordination of migrant education is required, the States will be able to use block grant funds to finance it. Migrant education is, in fact, an area where States have already developed cooperative arrangements, in some cases without any Federal involvement. Enactment of the block grant would also not preclude the Secretary from funding, on a discretionary basis, specific projects or activities for migrant education coordination.

PROPOSED RESCISSIONS

Question: The Administration is proposing rescissions of 25 percent of the funds provided under the fiscal year 1981 continuing resolution for all major State formula grant programs such as Title I, Education for the Handicapped and Vocational Education. These funds are slated to be released on July 1, this year. Since block grants legislation will most likely not be enacted by July 1, what steps is the Department planning to take under current law to help States and school districts to get by with less money?

Answer: It is clear that, in the short run, the rescissions proposed by the Administration could have a negative impact on many school districts and on the services they provide. It is also clear that, in the long run, a reduced inflation rate will have a profound positive effect on the same districts and services.

The extent to which local districts can lessen the impact of the rescissions will depend, in large measure, on their ability to secure other sources of revenue or, more likely, to implement cost-saving measures. Even if services must be curtailed, local school officials may be able to identify less essential components of existing programs to reduce or eliminate.

Current law in most programs allows grantees to carry forward unspent funds from prior years. These funds may serve to soften the effect of the rescissions. Also existing hold harmless provisions will ensure that no one district bears a disproportionate share of the burden.

TITLE I RESCISSIONS

Question: Currently the State handicapped program under Title I of the Elementary and Secondary Education Act provides educational and related services to the handicapped children in State operated institutions. For the most part, these children are those with the most severe and debilitating handicaps which require costly programs. What evidence do you have that States will be financially able or willing to replace the revenue that could be lost as a result of your proposed reduction of 25 percent in fiscal year 1981 budget authority?

Answer: Title I funds are intended to supplement State and local spending. In the Title I handicapped program as well as in the other segments of Title I, the existence of a Title I project presupposes the existence of a State or local program to serve the same children. These State and local programs will continue regardless of Title I funding.

The Administration did not propose a rescission with the idea that all States would automatically replace diminished Federal funds. Although the Administration feels that State agencies will, in many cases, develop means to mitigate the effect of the rescission, the Administration also recognizes that enactment of the proposed economic recovery plan will mean fewer financial resources available in this program. The Administration's intent is that long-term economic improvement will ultimately compensate for these short-term reductions.

IMPROVING LOCAL EDUCATIONAL PRACTICES

Question: The FY 1981 appropriation for Improving Local Educational Practices (ESEA Title IV-C), is already 45 percent below the FY 1980 level. It was assumed that such a cut could be absorbed primarily by not funding new projects--that most ongoing projects could be continued. You are now proposing an additional 25 percent cut. To what extent will ongoing projects be disrupted or terminated by the proposed rescission?

Answer: About 65 percent of the 6,000 projects presently being supported are funded for only one year. The remaining are multi-year projects. State administrators have advised us informally that they plan to continue these projects at reduced levels of funding. Projects which cannot operate at lower levels will be terminated, but it is not possible to estimate the number.

Question: An often-stated goal for project grant programs such as Title IV-C is to encourage States and localities to continue funding projects from their own resources after Federal support has stopped. Have you considered any provision for a more orderly and predictable termination of Federal aid?

Answer: To assure that local education agencies continue to fund activities developed with Title IV-C funds, Congress provided that Federal funding end after five years (excluding any period devoted to planning), and that funding in the fourth and fifth years be reduced. The regulations require local educational agencies to assure, as a part of the application for funds, that project activities, if successful, will be continued after Federal funds have terminated.

STRENGTHENING STATE EDUCATION AGENCY MANAGEMENT

Question: State education agencies have relied upon the Federal Government to provide a substantial share of the funds from which they pay staff salaries. In light of the rescission proposed for this program, plus that proposed for ESEA Title I State administration funds and related State administration set-asides, to what extent are state education agencies likely to be forced to lay off large numbers of their staff?

Answer: It is estimated that State education agencies employ roughly 22,000 personnel and that the Federal government provides approximately 47 percent of the funds available to the States for administration of education programs. Although there are no hard data available, one might assume that 47 percent of State education personnel are, in effect, supported by Federal funds. Based on the same sort of assumption, it is estimated that the proposed reduction in Title V-B funds could reduce the number of personnel employed by State education agencies by as many as 400 and that the proposed reduction in Title I administration funds would have about the same net effect.

Question: Isn't this action, which would weaken the administrative, planning, and evaluation capabilities of State education agencies, contrary to your block grant proposals, under which State agencies would have increased responsibility for planning for and administering the use of federal aid funds?

Answer: It is important to keep in mind that the reductions proposed by the Administration are intended to improve the overall economy. In the short run, these reductions could have a negative impact on certain programs, but, if the Administration's economic recovery program is successful, the long-term benefits will clearly outweigh any such immediate problems.

The Administration's proposal for block grants will provide funds to the States for administering education programs. It will free them from the constraints and rigidities inherent in a system of categorical grants and will allow them greater flexibility and responsibility than they now possess. The Administration believes that these structural changes will enable the States to be more efficient and effective in administering, implementing and evaluating education programs and will, therefore, allow them to accomplish a great deal more than at present even with reduced funds.

Question: State allocations under this program have been extremely stable, with each State receiving the same level of funds since fiscal year 1973. How are State education agencies to absorb such a large and unanticipated funding cut?

Answer: Although there is no doubt that the proposed reductions in Title V-B funds will have some negative impact on State education agencies, it is useful to put this impact into some sort of perspective. In 1970, the $28.6 million available to the States under Title V represented 10 percent of the total Federal and State funds available to State education agencies. The $51 million in Title V-B funds for fiscal year 1980 represents less than 5 percent of the total Federal and State funds available to State education agencies. Within the context of overall funding for the States, Title V-B is far less important now than it was in past years and the States should be better able to absorb any cutbacks required.

Question: Is there any evidence that States will be able to replace lost Federal funds with State appropriations?

Answer: The Department does not have any reliable data upon which to base any assumptions on reporting the degree to which States will replace lost Federal funds with State appropriations.

CAREER EDUCATION

Question: You are requesting a one-third rescission in funding for the Career Education Incentive program for fiscal year 1981. What are the specific goals of the Career Education program?

Answer: The Career Education program seeks to equip persons with general employability skills that will prepare them to adjust within a rapidly changing occupational structure. The program also attempts to formulate and implement linkages among a variety of community organizations--including business, service and youth organizations--and the education system in order to deliver employability skills. Finally the program works to move the education system towards increased educational productivity and increased efforts by educators to equip persons with employability skills.

Question: How effective has this program been in meeting its goals?

Answer: Clear evidence is available that career education is effective in equipping persons with a number of employability skills. Evidence is promising, but inconclusive, with respect to several other such skills. With respect to linkages between organizations and the school system, working agreements are now in place between the Career Education program and 16 national community organizations. These are currently being converted to State agreements in more than 30 States and to local agreements in several hundred communities. In addition, career education has been endorsed by 26 national professional education associations as a priority vehicle for changing the education system. Career education is now being implemented in more than 2,000 of the Nation's 16,000 school districts.

Question: Do you believe the Federal Government has an on-going role in career education?

Answer: The Federal role should include providing expert technical assistance to State education agencies in career education; supporting innovative approaches and the best methods and procedures for implementing career education; and conducting evaluations of the effectiveness of career education.

Question: Would you support eliminating this program entirely instead of a one-third rescission?

Answer: No. Federal funds have been available to State education agencies and local education agencies for only two years. While, these incentive funds have generated considerable State and local supporting funds, a two-year period is too short to expect that these State and local support sources will continue if Federal funds are cut off.

BILINGUAL EDUCATION

Question: What portion of the FY 1981 appropriation has been awarded thus far?

Answer: The provisions of the Second Continuing Resolution limit to 72 per centum the amount which can be obligated by June 5, 1981. For Title VII, the amount up to the limitation is about $126 million. Of that, about $47 million has been obligated to support 279 projects.

Question: If the rescissions were to take effect, what, if any, adjustments would be made to those grants already awarded? How will this be accomplished?

Answer: If the rescissions were to take effect, no adjustments would be made to grants already awarded.

Question: A 1978 study of Title VII bilingual education programs found that less than one-third of participating students were of limited English proficiency. The Congress amended the law in 1978 to limit participation of English proficient children to 40 percent. Are you aware of any systematic checks of the language proficiency of participating children to limit the participation of English proficient children to 40 percent? If not, does the Department intend to establish guidelines or regulations to limit participation of English proficient children in federally funded bilingual education programs?

Answer: Applicants for Title VII bilingual education programs are required to indicate in the application package a variety of data about student participation. While there is no specific data element with respect to the participation of English proficient children, the number of such children participating can be ascertained by subtracting the number of limited English proficient children to be served from the total number of children to be served. We are thus able to make sure that the number of English proficient children who participate are within the statutory 40 percent limit.

The regulations also require that a school district test each student who has been served by the program for two years. If, as a result of testing, a child is judged proficient in English, the regulations require the school district to remove that child from the bilingual education program.

On-site checks of student participation are made through monitoring by staff of the Office of Bilingual Education and Minority Languages Affairs and by working with State educational agencies to assure compliance with this and other provisions of law. Through these and other activities, we are confident that in each project at least 60 percent of the participating children are limited English proficient, or alternatively that in each project no more than 40 percent of the participating children are English proficient. As further corroboration of this compliance, results of a survey for fiscal year 1979 revealed that, nationally, 75 percent of the children participating were limited English proficient.

Since there are systematic checks from the initial application through operation at the local level, the Department does not intend to establish any additional guidelines or regulations in the area of English proficient student participation.

TEACHER CENTERS

Question: How will your proposed rescission in fiscal year 1981 funds affect the ability of States to meet the requirement of the Education Amendments of 1980 that each State receive sufficient Federal funds to establish at least one Teacher Center?

Answer: We will be able to meet this requirement and also meet our obligation to continue the Teacher Center projects initially funded in fiscal years 1979 and 1980 by cutting application budgets one-third to one-half.

Question: How many States do not have at least one Teacher Center?

Answer: As of April 15, 1981 there are 13 States and Outlying Areas with no federally-funded Teacher Centers.

Question: If the proposed rescission is approved, would fiscal year 1981 funds be used to fund new Teacher Centers in those States which do not have any Centers?

Answer: Yes, in order to meet the requirements of the Education Amendments of 1980, fiscal year 1981 funds will be used to fund new centers in those States, regardless of the rescissions.

Question: What are the specific goals of the Teacher Centers Program?

Answer: The Centers seek to improve the educational experience for students in public and private elementary and secondary schools by drawing heavily on the skills, wisdom and experience of the teachers themselves, and their potential for helping each other to improve educational practices. The Centers focus on solving local educational problems identified by local communities through inservice training, curriculum development, and application of the findings of educational research. The Centers are operated by the teachers themselves, through Teacher Center Policy Boards, each with a majority of regular classroom teachers in addition to school board members, administrators, professors, etc.

Question: How many Centers serve only one local educational agency within a State?

Answer: Of the 99 funded Centers, 58 serve the teachers in only one local education agency. More than half of these serve large cities.

Question: Will any new priority be given to funding centers which serve a statewide constituency if the fiscal year 1981 proposed rescission is approved?

Answer: No. The law does not require setting such a priority. Futhermore, following such a priority would spread the appropriation too thinly to do the teachers any good. State-wide applications have not been common in the Teacher Centers Program, largely because of difficulities in providing teachers access.

Question: What indications do you have that States will continue the Teacher Centers Program under Block Grants?

Answer: We do not have any substantive information as to what extent the States would proceed with the Teacher Center concept under block grants. However, there are a few States which are close to adopting the "teacher center concept" (total management by representatively-selected, teacher-majority policy boards). The block grant funds could be used to install and strengthen such State-wide plans.

Question: Why should this program remain a Federal priority?

Answer: The Administration feels that elementary and secondary education policy and programs should be returned to State and local education entities. Therefore, the Teacher Centers Program is being included in the block grant proposals.

IMPACT AID - SUPER A DISTRICTS

Senator Andrews: Under your proposal for impact aid, federal money would only be given to school districts that are considered "Super A", have a percentage of "A" students at 20 percent or higher. One school district in my State, Grand Forks, is currently considered as "Super A", with exactly 20 percent enrollment of "A" students. They received about $1.4 million in impact aid funds this year. If this proposal is approved by Congress, would it mean that, if next year's enrollment of "A" students fall down to 19.5 percent, that no Federal support would be given for educating close to 2,000 children of Federal employees? If this is true, where would you propose that this school district get the money to educate these nearly 2,000 students?

Answer: Unless a school district has a number of "A" students equal to at least 20 percent of its total students in school year 1982, it would not be considered "Super A" and thus not eligible for funds under the 1982 proposal for impact aid. There are several "Super A" districts that just do meet the 20 percent requirement. Any present applicant that will not receive funds under the 1982 proposal may have to reduce their 1982 requirements as well as seek out other resources for funding.

IMPACT AID - INDIAN CHILDREN

Senator Burdick: On impact aid, do you plan to continue full assistance to districts heavily impacted by Indian students who live on Indian lands? As you well know, the inclusion of these nontaxable lands in a school district greatly diminishes the ability of these districts to raise adequate revenue.

Answer: School districts which educate 20 percent or more "A" children will be eligible for a payment under our 1982 proposal. We estimate that 671 districts claiming children who reside on Indian lands will receive payments in 1981 while, in 1982, 242 districts will be eligible for a payment. However, in 1981, payments will be made for over 95,000 children residing on Indian lands while, in 1982, payments will continue to be made for almost 71,000 of these children.

IMPACT AID - PROPOSED RESCISSION

Question: Could you list the school districts that would be affected by your proposed reduction of 10 percent of their FY 1981 impact aid payment? (There are over 500 districts where their impact aid payment equals over 5 percent of total operating expenses.) How many districts will be able to compensate for this use with State and local resources?

Answer: All of the approximately 4,000 eligible school district applicants under Sections 2 and 3 of the impact aid program will be affected by the proposed reduction in 1981 payments.

The reduction was proposed in March which often begins the budget planning process for the next school year. Since impact aid school districts usually receive about one-fourth of a year's payment in the beginning of the next school year, we believe there is ample time for planning orderly reductions in budgets to make up for the proposed reduced payments. Some, of course, (but we do not know how many) will be able to compensate for the reduction by the use of other resources such as State and local funds.

Question: How many of these districts will be unable to increase their school revenues because of statutory limitations, such as Proposition 13 in California or Proposition 2 1/2 in Massachusetts?

Answer: There are 438 applicant school districts in California and 100 in Massachusetts that are unable to increase their local revenues by property taxes. School districts in other States, but the number is unknown, also face limitations on the amount of property taxes that can be raised.

IMPACT AID - ALTERNATIVE FUNDING PROPOSAL

Question: A compromise that has been suggested is to set an overall cut-off at 15 percent Federally-connected children--"A" or "B", counting "A" children as one and "B" children as one-half. How much would this cost?

Answer: Under this compromise proposal, districts would be eligible for payment in 1982 if their "A" children plus one-half of their "B" children represent 15 percent or more of their total enrollment.

Eligible districts would be paid according to the terms and conditions of the fiscal year 1981 proposed rescission but payments would be calculated at the 1982 local contribution rate.

The following payments would be made:

Sections	Estimated Number of Applicants	Estimated Number of Children	Estimated Amount (in millions)
2	264	---	$ 13.0
3(a)	544	243,880	301.4
3(b)	502	336,742	48.5
3(e)	14	---	.4
Total	845	580,622	$363.3

IMPACT AID -CONSTRUCTION

Question: According to the fiscal year 1982 budget justifications, the backlog of construction requests is currently almost $600 million. Could you provide us with a list of districts with pending applications, which are unable to provide adequate minimum school facilities?

Answer: Lists of eligible applicants for funding under Public Law 81-815 have been submitted to the Committee.

The priority lists for Section 14(a) and (b) and for Sections 5 and 14(c) reflect the applicants' estimates. Those estimates would increase when and as project approvals are made because of escalating materials and labor costs.

The priority list for the Section 10 applications was originally developed from the in-depth study conducted in 1976-77 and submitted to the Congress in 1978. Since that time, several projects have been funded to eliminate fire and life safety hazards and to meet handicapped access standards. Another priority--to replace facilities otherwise unsuitable for repair or rehabilitation--has been added. Thus, with the combination of groups reported, the estimated construction costs for the Section 10 projects in 1976-77 was rounded off at $200 million. After inflating the remaining project estimates to approximate current labor and materials costs, the backlog for the Section 10 projects is currently estimated to be about $300 million.

EQUAL EDUCATIONAL OPPORTUNITIES

Question: Assuming that the Administration's proposal for a block grant is enacted, the functions previously funded under the Equal Educational Opportunities account will be part of a block grant. To what extent will the Department of Education's Office for Civil Rights have responsibility for monitoring States' desegregation activities.

Answer: The Office for Civil Rights (OCR) administers two functions that relate to monitoring of desegregation activities. OCR reviews and enforces States compliance with civil rights laws, such as Title VI of the Civil Rights Act which prohibits providing federal funds to districts which discriminate on the basis of race, color, or national origin. If a district is found to be in non-compliance with Title VI, it may not receive any federal funds. OCR also conducts "pre-grant" reviews of districts requesting Emergency School Aid Act funds. Proposals submitted to the Department are reviewed by the Office of Elementary and Secondary Education for programmatic concerns and by the Office for Civil Rights to determine if the district is in compliance with civil rights laws or has an approved plan to remedy non-compliance.

Under the block grant program, activities in support of the first function -- determination and enforcement of compliance with civil rights laws -- would not be affected. OCR will continue to perform compliance reviews on districts which have been identified by survey or other information as being in apparent violation, to investigate specific complaints, and to monitor districts which have instituted remedial plans to remedy violations. If violations are found, steps are initiated to arrange for a plan to remedy the violations or to terminate federal funds until the district is in compliance.

The States will be responsible for distributing block grant funds to districts requiring aid with desegregation activities. Federal-level pre-grant reviews will therefore not be made of districts' applications. However, States which receive federal funds are subject to federal civil rights laws, and must consider them in distributing federal block grant funds. OCR will monitor States' activities and procedures, as well as those of local districts, to assure compliance with federal civil rights laws.

Question: Some school districts under Federal court order to desegregate schools have severe fiscal problems, as do the States in which they are located (for example, Boston, Massachusetts, and Detroit, Michigan). How would the proposed reduction in Emergency School Aid Act (ESAA) funding in FY 1981 affect these districts' capacity to deal with desegregation?

Answer: Under the proposed rescission, a 25 percent reduction will be made in Basic Grants to local school districts, which is a State apportioned program. A 25 percent reduction will also be made in Special Programs and Projects, which provides support for a variety of activities, including supplementary aid to districts which have submitted proposals for Basic Grant funds but for which insuffucient funds were available after the State-apportionment process and initial assistance for districts which receive orders too late to participate in the regular funding cycle.

In selection of projects within States, funds will be provided first for continuation awards and for new proposals from districts with recently approved desegregation plans (within the last three to six years). It is possible that awards made will be proportionally reduced to permit funding of as many new awards as possible. Under the rescission, it is anticipated that most projects with severe needs will be at least partially funded. Districts which have desegregation plans approved within the last six years will likely receive at least a portion of the aid requested--either from Basic grants or Special Project funds. A district with an older plan approved more than six years ago will receive aid only after prior commitments and projects with recent plans are funded.

Reductions in individual projects will require districts to review carefully their use of funds, identifying activities that are most needed and focusing funds on those priority needs. ESAA funds are not intended to be used for basic educational services, but for a variety of supportive activities related to the desegregation plan (such as human relations training for school staff and students, special guidance and counseling, materials development and revision, and encouragement of community and parental support for desegregation). Districts should be able to continue critical services to students affected by desegregation plans.

EDUCATION FOR ALL HANDICAPPED CHILDREN ACT

Senator Andrews: My constituents have been writing to me expressing grave concern over the Administration's plans to repeal Public Law 94-142, the Education for All Handicapped Children Act. They believe that any repeal of this law would bring about a significant regression in the progress that has been made over the years in mainstreaming handicapped students into public school classrooms. Will you explain the plans the Administration has for education of handicapped children and how Public Law 94-142 would be changed to enact these proposals?

Answer: The Administration's proposals in the areas of providing education for handicapped children are based on returning responsibility for education back to State and local levels. Accordingly, block grants have been proposed which will provide State and local governments with Federal financial resources for education, but without the burden of current Federal laws and regulations. Starting in 1982, the Federal role would be limited to those activities such as deaf-blind centers, vocational-technical schools for the deaf, research, captioning of films, information and referral, and other activities which can be more effectively done at the Federal level. Some of these activities serve small populations which have severe handicaps, such as the deaf-blind, which for reasons of economies of scale would be difficult to adequately serve on a State by State basis. Other activities such as research and captioning are best done at the Federal level in order to ensure continued activity, dissemination, and non-duplication of effort. The Education of the Handicapped Act, as amended by Public Law 94-142, would be altered to limit its applicability only to those Federal programs for which funds are requested in fiscal year 1982.

HANDICAPPED EDUCATION REGULATIONS

Question: What specific areas of the Handicapped Education Regulations are you planning to revise?

Answer: The Department is currently reviewing the regulations promulgated under Public Law 94-142 in order to address the concerns of State and local agencies regarding the regulatory impact of the law. Based on this review, a proposal will be developed and submitted to Congress to amend the existing regulations by deleting regulatory provisions which impose highly specific procedural and reporting requirements on State and local educational agencies subject to the Act. The net effect sought by the proposal will be to:

-- Reduce the data burden on State education agencies (SEAs) and local education agencies (LEAs) imposed by the existing regulations;

-- Increase SEA and LEA flexibility in administering and implementing the law;

-- Eliminate provisions which are duplicative of or partly inconsistent with other Federal requirements;

-- Tailor the regulations to fit more precisely the statutory language;

-- Defer to a greater extent procedures for implementation to State and local decision makers; and

-- Update the regulations to reflect the change from a single year to a three year program plan.

In reviewing the regulations, we will not consider a provision for amendment if it is directly supported by the statute or a clear expression of Congressional intent, or if it parallels a requirement under the regulations implementing section 504 of the Vocational Rehabilitation Act.

We will consider a provision for amendment if it goes beyond a stated Congressional intent to establish a goal by prescribing methods or procedures for meeting the goal, it imposes a requirement for data submission where Congress was silent, or it could be deleted without significant adverse impact on those persons affected by it.

Question: Many school districts have complained that regulations mandate too many tests, reviews, and too much paperwork. How can this be reviewed and reduced?

Answer: Many of the provisions which were included in Public Law 94-142 to assure that all handicapped children received a free, appropriate public education were done so with the full expectation that a considerable amount of new procedural and administrative practices would be required to implement them. When viewing the concerns of school districts in terms of tests, reviews, and paperwork, it is important to differentiate between those requirements which are statutory and those which are regulatory. Since the passage of Public Law 94-142, the Department has attempted to assure that regulations which are promulgated do not exceed the requirements of the statute. In most instances, the regulations are virtually restatements of the law itself.

A distinction must also be made between requirements which are imposed on school districts by Federal regulations and those which result from State and local rule-making. Often, decisions made at other governmental levels generate more paperwork than Federal requirements. In those instances where procedural or paperwork burdens may have resulted from over-regulation or misinterpretation of regulations, we have moved to clarify the requirement to resolve the issue. For example, we have provided assistance in implementing the individualized education plan requirement through a comprehensive policy clarification paper published in the FEDERAL REGISTER on January 19, 1981.

With specific reference to requirements for testing and evaluation, we have developed an interpretation of re-evaluation requirements to clarify the Federal law. The objective of the clarification is to reduce or eliminate over-evaluation by indicating that re-evaluation should be determined on a case-by-case basis, and that the extensive evaluation which was done at the time of placement need not be repeated.

In summary, we will continue to maintain a sensitivity to both the needs of school districts to reduce their administrative burden and the statutory requirements in the law by amending regulations, publishing clarification papers, and providing technical assistance to State and local agencies.

BLOCK GRANTS

Question: Education for the handicapped is an area where this country has made great strides in recent years. There is much concern over the future course of handicapped education under its block grant proposal. Mr. Secretary, how do you see the role of the Department of Education in handicapped education in the future under a block grant?

Answer: The future role of the Department with respect to education of the handicapped will be to provide assistance to the States in those areas where Federal leadership and funding is most appropriate. The basic assumption underlying the block grant approach is that decisions regarding education of handicapped children are the responsibility of State and local governments. The Federal role will be to support those activities which, in programmatic terms, are most effective if administered at a centralized location within the Department. These programs will be designed to provide technical assistance to States, and in some cases, to provide direct services to special target populations--such as deaf-blind children--who require intensive and costly services. An additional area where the Federal role will be maintained is in the area of special education research.

The following programs which are currently administered by the Department will not be included in the block grant but will continue as discretionary grant activities:

Deaf-Blind Centers
Innovation and Development Research
Early Childhood Institutes
Vocational Technical Schools for the Deaf
Media Services and Captioned Films
Recruitment and Innovation

GIFTED AND TALENTED

Question: How many gifted children are currently being served through the Gifted and Talented Children's Education Act?

Answer: Based on the 1978 Civil Rights Survey, the Office for Gifted and Talented estimates that approximately 830,000 gifted and talented children are currently being served representing approximately 35 percent of the total gifted and talented student population. Of this number, it is estimated that approximately 25,000 children are being directly served through projects receiving funds under the Gifted and Talented Children's Education Act. However, many more benefit since the program is a seed money or leverage program focusing primarily on building systems of support and strengthening the capacity of the States to serve children.

Question: In your view will the proposed 25 percent rescission reduce the number of children who can participate in the program, or the level of services provided to those served?

Answer: Yes, the number of children participating in the program will be reduced by approximately 25 percent of those participating in Federally funded programs through reduction of competitive grants under the State administered program. The 25 percent rescission would reduce new projects for professional development, Statewide activities, model demonstration, and research projects, all of which are designed to improve the level of services being provided.

Question: How many local agencies provide programs for gifted and talented children and youth without Federal assistance? (Distribution of grants under the program required that the State education agency distribute on a competitive basis not less than 90 percent of the funds to local education agencies.)

Answer: We do not have exact data on the number of local agencies providing programs for the gifted and talented. However, based on the 1978 Civil Rights Survey data reporting 830,381 gifted and talented children receiving services, representing an estimated increase from 4 percent to 35 percent since the establishment of the Office for Gifted and Talented in 1972, one can infer a parallel increase in the number of local agencies providing programs.

Question: Do you agree that this program is effective in keeping academic gifted and talented in public schools?

Answer: Yes, gifted and talented programs are providing an alternative for many children and their parents, who would send their gifted children to private schools if the public gifted and talented programs were not available. The law also provides for gifted and talented children from low income families who could not afford the cost of sending their children to private schools.

Question: If the proposed rescission were to take effect, approximately $1.2 million of the remaining appropriation would be used for discretionary projects. Given this restrictive amount for fiscal year 1981, what priorities will you establish for awarding the discretionary grants?

Answer: Priorities would be established in the areas of professional development and model demonstrations with virtually all of the funds committed to continuation projects in these areas.

BLOCK GRANTS--EFFECT ON THE BLIND

Question: The blind are a low incidence, severely disabled group with very specialized needs. With the proposed repeal of the Rehabilitation Act, State programs and specialized agencies for the blind would be extremely vulnerable to major changes at the State level, and abolition of such programs in some States is a very real possibility. How can programs for blind people be protected if total flexibility is given to the States through block grants, particularly when this is coupled with a 25 percent cut in funding?

Answer: The block grant proposals will provide States the major role in giving priority to services that will best meet the needs of their populations. States in general have shown sensitivity to the needs of blind people and we can expect that they will continue to be properly served in the future.

NAVAJO VOCATIONAL REHABILITATION PROGRAM

Question: It is difficult to understand why your subordinates have refused to pay attention to clear intent of Congress--expressed in Conference Report language on the Fiscal Year 1981 Continuing Resolution--that $650,000 be provided for the Navajo Vocational Rehabilitation Program. Can you personally review this matter, so we can get your judgment before Congress acts on the upcoming rescission/supplemental bill?

Answer: Fiscal year 1981 funding is governed by Section 101(a)(4) of the Continuing Resolution, which makes funds available at the rates provided in H.R. 7998, the Fiscal Year 1981 Appropriation Bill passed by the House. H.R. 7998 provides funds for Section 130 of the Rehabilitation Act but does not limit eligibility to the Navajo Tribal Council. Neither the language in H.R. 7998 nor the House Committee Report mentions the Navajo Tribal Council, though the accompanying report specified "...that $650,000 be allocated to continue funding of projects under Section 130, Title I of the Rehabilitation Act."

In action on the Continuing Resolution, H.J. Res. 637, House Report No. 96-1536 deleted a Senate amendment earmarking $650,000 for projects under Section 130 noting that "...special earmarking for this purpose is not necessary because an annual rate of $650,000 is already authorized for Section 130 for the Navajo Vocational Rehabilitation Program, under the general authority provided by Section 101(a) of the joint resolution." No funds had been requested by the Carter Administration for Section 130 projects, nor had this Section been previously funded, although $400,000 from fiscal year 1979 Innovation and Expansion Grant funds had been awarded to the Navajo Tribal Council. (This authority has no 1981 funding under the Continuing Resolution in accordance with the Administration's request.)

However, H.J. Res. 637 did not become law. Rather, H.J. Res. 644 which did not include any clarifying language on this issue, became the Act which provided continuing appropriations for fiscal year 1981. That Act referred back to the provisions of H.R. 7998.

Given these circumstances, the Rehabilitation Services Administration sought from the Department's Office of General Counsel guidance on eligible grantees under Section 130, an authority never before funded. We have been advised by that office that awards should be made competitively. The Navajo Tribal Council, as well as other governing boards of Indian Tribes, will be provided a fair opportunity to compete for these grant awards.

A notice was published in the FEDERAL REGISTER on March 26, 1981 announcing competition for fiscal year 1981 grant funds. It is currently expected that applications will be submitted in May and they will be reviewed in June. It is hoped that all grant decisions can be made in early summer.

VOCATIONAL REHABILITATION DISCRETIONARY GRANTS

Question: In addition to State formula grant program funds for vocational rehabilitation, money for a variety of discretionary authorities under the Rehabilitation Act would be consolidated into the Social Services Block Grant. Does the Administration expect States to continue rehabilitation training programs, client assistance projects, projects with industry, independent living centers, spinal cord injury model centers, severely handicapped projects, and others now administered through the Rehabilitation Services Administration? If so, how could consistency in, and overall policy for, these programs be maintained?

Answer: Under block grants, the identities of all present rehabilitation services legislated activities--basic State formula grants and discretionary authorities--would be merged with other social service authorities into a single social service block grant authority. The decision to retain any of the present components in their current form would rest with the individual States. States would only be required to use block grant funds in a manner consistent with the new legislation and that legislation will not require maintenance of activities under what will then be repealed authorities.

TRAINING

Question: Since the Federal training program is the only source of funds for training many rehabilitation professionals, what mechanism would be available to insure a flow of needed professionals into those critical fields, such as rehabilitation teaching for the blind, orientation, and mobility training, and others?

Answer: The block grant concept does not provide for targeting funds for this purpose. However, because of decades of Federal investments in this area, training programs are in place at universities throughout the country to prepare rehabilitation professionals. We should expect that many training programs would make the adjustment to continue with State assistance rather than Federal support. The States, individually, would determine the need for different types of rehabilitation training within a State.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Question: You are proposing a $7 million rescission for the National Institute of Handicapped Research--a 20 percent cut that would have to be made with most of the fiscal year over. How much would be cut from the Research and Training Centers program?

Answer: The cut proposed for the Research and Training Centers program will amount to $500,000.

Question: Would this rescission allow for any new starts?

Answer: We do not anticipate any new starts under the proposed rescission.

BLOCK GRANTS

Question: What will happen to the National Institute of Handicapped Research in fiscal year 1982 under your block grant proposals?

Answer: Handicapped research would be carried out under the Social Services Discretionary Grant activities of the Department of Health and Human Services.

HANDICAPPED NATIVE AMERICANS

Question: To what extent has the National Institute of Handicapped Research been responsive to the needs of Native Americans with handicapping conditions?

Answer: Many of the needs of handicapped Native Americans are addressed in the diverse medical and psychosocial research projects supported by the Institute. However, no projects are specifically targeted on the unique needs of Native Americans.

Question: Are the currently funded Research and Training Centers serving Native Americans with neurosensory disabilities?

Answer: To our knowledge, the Research and Training Centers are not serving Native Americans with neurosensory disabilities.

Question: To what extent are Native Americans involved in research and training activities of existing Research and Training Centers?

Answer: The National Institute of Handicapped Research does not receive reports from the Research and Training Centers which would provide the numbers of Native Americans who may have benefited from research findings, training programs, or who might be employed at the Research and Training Centers.

Question: It is understood that a feasibility study for establishment of a habilitation/rehabilitation research and training center to serve the neurosensorially disabled Native Americans has been completed and that plans for establishment of the center have been discussed with various Federal agencies. Are these plans reflected in the current budget of the National Institute of Handicapped Research? Is there a timetable for establishment of this center?

Answer: The current funding plans under a rescission budget do not provide for establishing any new centers. At this particular time, it is not known when such a center could be established.

OLDER AMERICANS

Senator Chiles: When the Department of Education was established, I urged the Secretary to appoint a policy level individual to coordinate and be responsible for educational programs in which the elderly can participate.

I'm sure you are aware that there are a number of Federal education programs for which older Americans are eligible that can serve their needs, whether it's basic skills for functional literacy, continuing education opportunities for self-sufficiency or retraining, or enrichment and fulfillment. These programs are administered by different offices and assistant secretaries. Rather than to try to segregate the programs and draw them under one roof, it seems desirable to have someone at a policy level see that older Americans are getting the full benefit of Federal education programs, whether we're talking about adult education, projects under the fund for improvement of postsecondary education, community school programs, or Title I of the Higher Education Act.

Last fall, I understand such an individual was appointed and began a systematic study of what Federal education programs are available for older Americans and to what extent they are participating and benefitting from them. In what way do you plan to continue this type of activity within the Department?

Answer: In adult education, a senior program specialist coordinates services related to older Americans. This person serves as a national resource for the elderly, provides technical assistance to State and local agencies, encourages training on the special needs of older Americans, and provides advice on expanding outreach to the elderly.

Vocational education also has a program specialist who works very closely with State departments of education in expanding and improving training to older Americans through the displaced homemakers program.

Senator Chiles: What do you see as the role of the Federal Government in meeting the educational needs of older Americans as our proportion of over-65 population grows and Americans seek to be self-sufficient and productive in their longer, healthier lifespans?

Answer: The adult education program will continue to place special emphasis on helping older Americans acquire the skills to function in society and benefit from job related training. Two major initiatives give impetus to these efforts. First, an intergovernmental planning group has coordinated education and transportation services for the elderly and second, telecommunications have been successfully applied to teach institutionalized and rural populations of older Americans.

Vocational education addresses the special needs of older Americans, especially women, by providing outreach and counseling services to attract the elderly and help them complete displaced homemakers programs. These programs have been quite successful at training people to become economically self-sufficient and productive individuals.

Vocational education also serves many older Americans through special adult programs designed to train unemployed or underemployed persons in new occupational areas now in demand in today's economy.

VOCATIONAL EDUCATION - NATIONAL CENTER

Question: Your Department's appropriations justification book says that you intend to cut back further on vocational education's programs of national significance. Among other things, that program supports a Congressionally mandated national research center. Your budget would cut this center's work back substantially, from about $5 million to under $4 million. And yet, you are asking for funds to make three new awards to develop innovative approaches to encourage community economic development and to reduce youth unemployment. Doesn't your national research center have the capability of doing this work?

Answer: The National Center for Research in Vocational Education (NCRVE), part of the Ohio State University, is an organization with a diversified array of expertise. NCRVE may or may not have the capability to work on the three national priorities of economic development/productivity, youth unemployment, and access/equity.

If the National Center at Ohio State believes it has the capability to work on these three national problems, it would have to submit proposals in competition with other organizations which may apply, just as it did to receive the Federal contract under the programs of national significance. NCRVE has successfully competed for funding from a variety of Federal, State, local government and private sources, and the Department of Education continues to encourage this practice. The large contract to operate the vocational research center under the programs of national significance represents about one-half of NCRVE's current funding and activities.

Question: Wouldn't it make more sense for your Department to simply direct the Center to do this new work?

Answer: To do this would perhaps be administratively simpler, but the lack of competition it implies would be contrary to current practices and would adversely affect the quality of the products and techniques derived from the programs of national significance.

Almost all of the special projects funded under the programs of national significance are awarded on a competitive basis. We believe this has resulted in generally high quality products which have been successfully adopted by educators in the field. The Department would like to continue to encourage this competitive practice to get the most out of the very small amount of discretionary funds requested under the programs of national significance.

BLOCK GRANTS

Question: What special characteristics of vocational education justify its exclusion from the proposed block grants to States and localities?

Answer: Vocational education was intentionally excluded from the block grant proposal at this time because the Vocational Education Act expires and is up for reauthorization in 1982. The Administration did not want to preclude the possibility of open analysis and discussion of the Federal role in vocational education prior to recommending a direction for future legislation. Thus it was decided to exclude vocational education while the reauthorization process unfolds. Vocational education may later be included in block grants, but only after a careful examination is completed.

PROPOSED RESCISSION

Question: If this program is important enough to keep as a separate category, why then are you proposing a 25 percent rescission for FY 1981?

Answer: The Administration decided that vocational education should play its part in the overall plan to reduce Federal spending and control one source of inflation. It was determined that the impact of the cuts would not be detrimental to programs because of the eleven to one ratio of State and local to Federal expenditures on vocational education. These reasons, rather than a judgment about this program's importance relative to other programs, were the determining factors in the decision to reduce vocational education funding by 25 percent.

Question: Will all components of vocational education be reduced by 25 percent or are some programs more deserving and thus likely to be spared from a 25 percent reduction? Please elaborate.

Answer: All of the line items in the vocational education budget were reduced by the same percentage except for the permanent appropriation ($7,161,455) under the Smith-Hughes Act. This line item could not be reduced, and thus each of the other line items had to be reduced by slightly more than 25 percent to make up for the difference.

Once again the decision was made to apply the reduction uniformly so as not to signal a particular direction that the Administration's reauthorization proposal might take.

SPECIAL NEEDS POPULATION

Question: Do you have estimates on the breakdown of minority and low income participants in vocational education programs? Is there any cause for concern that low income and minority participants will be most adversely affected by reductions in vocational education programs?

Answer: According to the Vocational Education Data System (VEDS), slightly more than one million disadvantaged (low income) persons are served under vocational education basic grants. Approximately 135,000 other students are served under special programs for the disadvantaged. Blacks number approximately 2.7 million students, while Hispanic enrollment in vocational education is about 1.1 million. Another 2,000 persons receive vocational training under the special projects for Indians.
We do not anticipate that the proposed reductions in vocational education funding will have any adverse effect on the level of services or the number of low income and minority participants.

CONSUMER AND HOMEMAKING

Question: Do you support the ongoing Federal commitment to consumer and homemaking programs?

Answer: As indicated above, the Administration's 1981 rescission proposal and 1982 budget request for the Vocational Education Act are placeholders pending detailed analysis under the reauthorization process. Therefore, the proposed reduction for consumer and homemaking in 1981 is at the same rate that is applied to all the other line items in the Vocational Education Act. For fiscal year 1981, $32.5 million is requested for consumer and homemaking education. This will serve an estimated 3.7 million students in 1981-82. The Federal support of this program is believed to be the catalyst responsible for the high State and local expenditures for this program, now estimated at over eleven times the Federal share.

Question: Is there any duplication or overlap between the consumer and homemaking education program and consumers' education within the Office of School Improvement?

Answer: The consumer and homemaking education program supports a broad spectrum of training activities designed to prepare youth and adults of both sexes to fully participate in a changing society as both wage earners and homemakers. The training includes, but is not limited to, such areas as food and nutrition, child care, family and parenthood education and home management. Consumer education is a component of the consumer and homemaking education program, but is by no means the entire focus of the program.

Consumers' education, on the other hand, funds demonstration projects to a wide variety of agencies aimed exclusively at making all Americans, especially minorities, handicapped and disadvantaged persons, more informed consumers. This program is more narrowly focused on the consumerism theme, while consumer and homemaking education addresses a wider range of topics. The consumer and homemaking education program funded under vocational education, a State grant program, usually provides its services through local public schools, while the consumers' education program funds discretionary grants and contracts providing training and services through other types of public and private agencies. What little overlap may occur is usually limited to training in the area of consumerism.

ADULT EDUCATION RESCISSION

Question: Would some States, because of the hold harmless provision in the Adult Education Act, be reduced proportionately more than other States under your proposed rescission?

Answer: The proposed 25 percent rescission--$30 million--in adult education funds will affect all States equally, excluding any effects that shifting demographic patterns may have on formula allotments. It should be remembered that the $30 million rescission would reduce 1981 funding for adult education from $120 million to $90 million. This total is only $10 million below the 1980 appropriated level of $100 million, which is providing operational funds for the 1980-81 school year. There is very little chance that any State would approach its 1973 level funding, even though the requirement to maintain that level was removed in 1978.

Question: How many of the currently enrolled adult education students would not be able to complete their studies if the proposed rescissions were to take effect?

Answer: Approximately 500,000 fewer students would be served under adult education if the proposed rescission were to take effect. It is impossible to predict how many currently enrolled students would not be able to complete their studies, but certainly continuing students would receive priority over new students in any local program which was forced to reduce its enrollment.

Question: With Federal funds currently comprising about 50 percent of adult education program revenues, will the proposed rescission adversely affect the Federal ability to reduce adult illiteracy?

Answer: As previously mentioned, we estimate that some 500,000 fewer students would be served if the proposed rescission were to take effect. This will slightly reduce the nation's struggle against adult illiteracy.

However, it should be remembered that the State and local share of total adult education expenditures has been steadily increasing, from approximately 25 percent in 1970 to 41 percent in 1979. Assuming the State and local share continues to grow, our estimate of 500,000 fewer students may be lowered considerably in 1981-82, when the rescission affects the program's field operations.

COMMUNITY EDUCATION

Question: The Administration is proposing a $6.8 million rescission for the community schools program which would maintain the program at the FY 80 level. The program is then proposed to be included in the State block grant program. To what extent have Federal funds served as a catalyst for generating State and local support?

Answer: The best example of the State and local support generated by the Federal involvement in community education is the large number of projects supported only by other than Federal contributions. While Federal funding has supported only about 25 local projects a year, another 5,000 local projects have participated over the five year existence of the program through State, local and private funding. Although the total amount of non-Federal funding is not known, funds from one private source, the Mott Foundation, far exceed the 3.1 million Federal dollars appropriated annually for community education.

Another example of the effect of Federal dollars is the high level of non-Federal support in those projects which receive Federal funding. These projects, which have received a total of $17 million in Federal funds over the past five years, have received another $5 million--nearly one third again as much--in State and local funds.

Results from the first national evaluation of the Federal community education program provide us with information relative to the impact of Federal funds on local programs. The study found, at each level of program operation:

o The majority of the projects which had received Federal funds for only one year were continuing, and in several, the level of effort, even without Federal funds, had increased.

o Levels of program effort and activity were achieved, in part, because there were substantial commitments of non-Federal resources, supplementing the Federal funds.

Another accomplishment of the Federal involvement in community education is the increase in the number of States which have community education coordinating units. Before the Federal involvement, only five States had such units; now there is a total of 48.

Question: Has State and local support been sufficiently provided to preclude the necessity for continued Federal support?

Answer: State and local support for community education has, as mentioned above, been quite strong. This does not, however, obviate the need for a continued Federal presence in this area. There are still many goals which remain to be achieved at the Federal level.

For example, expanding the community education network to include all States and Territories is one of these goals. At this time no Outlying Areas have ever participated. Training community educators, developing model programs, and providing a focal point for visible national leadership are other reasons for maintaining a strong Federal commitment to community education.

Question: Since the funds are geared to the very local level, why, in times of austerity, should community education be funded by the Federal government?

Answer: The Federal government should continue to provide at least some support for community education to maintain the Nation's substantial investment already made in education, educational facilities, and in the growth and development of strong communities at the local level.

Although, as mentioned above, there is a sizeable contribution made to local community education programs by State, local and private sources, a non-Federal agency has yet to make any comparable effort to develop more effective programs, train community educators or provide national leadership.

Continued Federal involvement will provide credibility and national focus to the concepts of coordinated delivery of scarce resources and citizen participation in education. Other agencies or state and local governments cannot provide the degree of interaction with the total educational community that the Department of Education can.

PELL GRANTS

Senator Burdick: In the 1982 needs analysis for the Pell Grants, why is there no offset for State, Local and Social Security Taxes?

Answer: From the inception of the Basic Grant Program through the 1981-82 award year, there has been no offset in the annual eligibility formula for State and local income taxes or for Social Security taxes. The Education Amendments of 1980 provided that beginning with the 1982-83 award year the eligibility formula for Pell Grants would include an offset for State and local income taxes. The Education Amendments of 1980 did not specify an offset for Social Security taxes. We have submitted proposed legislative language which would eliminate the offset for State and local income taxes from the 1982-83 formula.

Senator Burdick: What is the justification for dropping this?

Answer: Eliminating consideration of State and local income taxes in determining a family's expected contribution is consistent with the Administration's position of paring the Federal budget in a way that protects the truly needy. The corollary of protecting the truly needy is to reduce (or prevent increases in) the awards of less needy students. Since the newly legislated offset for State and local income taxes benefits only less needy Pell Grant eligibles, it is an obvious candidate to help contain Pell Grant costs. The proposal is expected to save $75 million in fiscal year 1982.

FAMILY CONTRIBUTION TO EDUCATION COSTS

Senator Andrews: One of your proposals for the Pell Grant Program is to defer the traditional indexing of family size offset for inflation. To not anticipate inflation is fine in theory, but in reality, failing to recognize the actual rise in costs of maintaining a family may result in more of a contribution for college of that family than is reasonable or realistic. Does your proposal allow for some mechanism to be built in to allow for actual inflation?

Answer: One of the basic thrusts of the Administration's proposals is to reemphasize the traditional role of the student and the family in the financing of postsecondary education. We believe that the liberalizations in the Pell Grant program beginning with the Middle Income Student Assistance Act and more recently in the Education Amendments of 1980 have substantially eroded the family's role and placed more and more of the responsibility for the financing of postsecondary education on the Federal government. The Administration believes that expected family contributions are now unrealistically low.

To rectify this situation, the Administration is proposing to raise the assessment rate on family discretionary income in determining expected family contributions in fiscal year 1982. In fiscal year 1981, however, this policy would substantially delay the processing and distribution of student eligibility reports. Because of this we have chosen to defer the indexing of the family-size offsets for one year--a policy that has a similar effect on Pell Grant award levels as changing the assessment rate on discretionary income and one which will produce more reasonable expectations of what families can contribute.

In answer to your more specific question, we are doing nothing to offset the effects of inflation on family living expenses in fiscal year 1981 for reasons elaborated above.

PELL GRANT PROGRAM CHANGE

Question: A proposed regulation published by your department on March 13 states that you are not planning to increase the family offset under the Pell Grant program for the 1981-82 school year even though an increase is warranted by inflation. The effect of this proposal will be to reduce everyone's Pell Grant by approximately $100 except for the neediest students. For example, a student whose parents earn $10,000 would have his or her Pell Grant reduced by $100. Likewise, a student whose parents earned $25,000 would also have his or her Pell Grant reduced by the same $100. Isn't it likely that the student from the $10,000 a year income family will have a lot harder time coming up with the extra $100 compared to the student from the $25,000 a year income family?

Answer: It is not necessarily true that a student from a low income family will have more difficulty coming up with an additional $100 per year than a student from a higher income family--at least to the extent that both students have to rely on their own personal (as opposed to family) resources. Either student can work more or borrow more. However, to the extent that the family must be relied upon for the additional $100, there is little doubt that the $10,000 income family would find it more burdensome.

Question: Would it not be more equitable to adjust the percentage of discretionary income that families are expected to contribute, especially for those with higher incomes, rather than arbitrarily freezing the family offset?

Answer: The Administration agrees that the more equitable approach is to adjust the percentage of discretionary income that families are expected to contribute. We are proposing to do this in fiscal year 1982. This change, however, requires legislation and if attempted in fiscal year 1981 would undoubtedly cause a major delay in the processing and distribution of Student Eligibility Reports (SERs). Therefore, the Administration has proposed to defer for one year the indexing of the family-size offsets. The incidence of this change is similar to a change in the assessment rate on discretionary income in that only families with positive discretionary income will be affected. The deferral of indexing has the advantage of causing only minor delays in the processing of SERs while protecting the awards of the most needy students.

SELF HELP PROVISION

Question: The Administration has proposed to establish by law a $750 self-help contribution for recipients of Pell Grants. It is the Committee's understanding that Pell Grant awards already calculate student self-help as part of the application process. How much will their $750 self-help proposal save?

Answer: We estimate that this proposal will save about $100 million in Pell Grant program appropriations in fiscal year 1981 and another $100 million in 1982.

Our proposal does not involve setting "by law" any particular dollar level of self-help expectation. We are proposing that the statute provide general authority for the Secretary to prescribe such an amount by regulations. We are presuming that this amount would be set at the $750 level for fiscal years 1981 and 1982. We would note that the current "Uniform Methodology" need analysis system, which is developed by the higher education community and now widely used for purposes of State and institutional aid as well as Federal "campus-based" aid, currently includes a $700 "summer savings" expectation for freshmen and $900 for all other students. We propose that the Pell Grant self-help expectation be set by regulation based on general statutory authority so that this amount could change each year as is the case with the Uniform Methodology self-help amount.

The current Pell Grant award calculation does not involve any form of self-help expectation. Currently (for the 1981-82 academic year), 75 percent of any dependent student earnings above $2,650 is expected to be contributed to educational costs. No amount of summer or academic period earnings is expected or presumed.

Question: What criteria will you use to determine if a student should be exempt from this contribution requirement?

Answer: In the first place, this would not be a "requirement" in the sense that the student must come up with this amount before he/she may receive an award. Under our proposal, the "self-help" expectation will merely limit the award level (and it will do so only for some students), creating a "gap" in the financing of educational costs which can be filled in any way--e.g., summer earnings, College Work-Study, GSL, NDSL, or family contribution.

Authority to waive any or all of a student's expected contribution is currently contained in regulations for the campus-based Federal aid programs. The financial aid administrator evaluates "any other circumstances that could affect the ability of the student, the student's spouse, and the student's parents to contribute to his/her costs of attendance," and documents the reasons for the waiver in the student's file. We believe that a similar procedure can be used with respect to our Pell Grant self-help proposal. Regulations clarifying the circumstances under which such waivers should be granted (e.g., real diffi[illegible]ty in finding summer work or work during school, or in finding a [illegible]'ing lender) would be developed through consultation with the f[illegible]ial aid community.

Question: What new administrative mechanisms must be established in order to monitor this proposal?

Answer: Including the $750 self-help component in determining the amount of a student's Pell Grant will affect the calculation procedures at the school at the time the Federal payment schedule is received. This would not affect the eligibility reports sent to students earlier in the year. Financial aid administrators will have to complete three additional steps in computing the awards of students affected by the self-help provision. Most students, however, will not be afffected by this provision. We recognize that the additional steps for calculating the awards of some students will add marginally to the administrative burden on schools. Minimizing this additional burden is of utmost importance as we design the procedures to be used by schools. Office of Student Financial Assistance training and information dissemination activities will be increased to minimize confusion about the new procedures.

Question: How do you plan to implement the "self-help" proposal without adding new paper work?

Answer: As mentioned above, this proposal would require some additional paper work for those institutions whose students are affected--both in documenting waivers of the expectation and in making the award calculation.

SAVINGS IN THE PELL GRANT PROGRAM

Question: Many members of Congress, both Republicans and Democrats, are very disturbed by the fact that Pell Grant processing, and packaging of student's grant awards, has come to a halt. The Committee understands, however, that just yesterday a compromise was reached that will help restrain Pell Grant costs and allow the processing of grants to continue? Can you explain what this compromise is and how it will work?

Answer: The President's fiscal year 1981 supplemental budget request contains three new proposals to reduce expenditures in the

Pell Grant program. Only one of these proposals--the one time elimination of indexing of family size offsets--is an integral factor in the processing of applications. This procedure could not continue until a decision was reached about this proposal. Therefore, processing of Pell Grant applications was temporarily halted until a decision could be made.

The Chairman and ranking minority member of the House Subcommittee on Postsecondary Education informed the Secretary on April 1 of their acceptance of the proposal to eliminate indexing in fiscal year 1981. They also urged the Department to begin processing applications immediately. The Department has complied and is now resuming the processing of applications in response to this agreement. This agreement will reduce expenditures in the Pell Grant program by over $134 million.

Question: Does the compromise involve using the reduction schedule printed in the Education Amendments of 1980? How much will it save?

Answer: The agreement does not include using the reduction schedule provided in the Education Amendments of 1980. The Subcommittee Chairman expressed in the April 1 letter endorsement of two additional methods to achieve savings--deferral of the cost of attendance liberalizations which had been included in the Education Amendments of 1980, and the first tier of statutory reduction. The deferral of cost of attendance is estimated to save $374 million and the statutory reduction is estimated to save approximately $140 million.

However, the Secretary does not endorse deferral of the cost of attendance liberalizations but maintains that the cost of attendance liberalization should be constrained in the legislation and has submitted legislation to implement this proposal. The Secretary also continues to urge the adoption of the self-help provision included in the budget proposal as well as the elimination of the administrative allowance which is reserved from Pell Grant program funds. The Secretary does not support using statutory reduction to achieve savings in the Pell Grant program.

Question: When will the Department send up a budget amendment requesting the use of the reduction schedule?

Answer: The Department does not plan to send up a budget amendment requesting the use of the reduction schedule. The Department supports legislation to permit the Secretary to set cost of attendance allowances, to provide a self-help provision in the calculation of awards, and to eliminate the administrative allowance. If funds provided in the appropriation process are insufficient to fund the desired levels of savings, the statutory reduction formula will be implemented to meet the appropriation level. No budget amendment is required.

Question: In fiscal year 1982, the Administration proposes to increase the "Family Contribution rate" from 14 percent to 20 percent, in calculating eligibility for and the amount of a Pell Grant. This means that applications will assume that parents will contribute 20 percent of their discretionary income to their children's college education, rather than 14 percent. What are the projected savings from this proposal?

Answer: An increase in the maximum percentage assessed against discretionary income from 14 percent to 20 percent will save approximately $270 million.

Question: Who will be the most affected by this change?

Answer: The 44 percent of recipients whose family incomes are such as to require no contribution from the family for educational costs will be unaffected by this proposal. For the remaining families, raising the "tax rate" on discretionary income will increase expected family contribution by amounts that vary with family incomes. For example, typical families of four with adjusted gross incomes of $21,000 and $15,000 will be expected to increase their family contributions by $480 and $243 respectively. The family whose income is $11,000 will not be expected to increase its contribution and will be unaffected by the proposal.

Question: I understand that you propose to eliminate the institutional allowance for Pell Grants for $10 per award. What impact will this have on the operating budgets of financial aid offices?

Answer: Since 1976 the Basic (Pell) Grant authorizing legislation has contained a provision for an administrative allowance of up to $10.00 per recipient. However, that allowance was discretionary and was never funded. The Education Amendments of 1980 provide that beginning with the 1980-81 award year the allowance may be drawn from program funds. Since institutions have not received the allowance in previous years, this source of income can not be viewed as being subtracted from an operating budget; rather, it is an expectation of an additional source of income that will not be fulfilled. To the extent that an institution may have already withdrawn a portion of its allowance for 1980-81, the elimination of the allowance will have an impact for the institution that must return funds to its Pell Grant account.

AFDC AND STUDENT AID

Senator Andrews: About two years ago, the Secretary of Education sent a memo to all states requesting the Vocational Rehabilitation directors and college aid directors get together to figure out an equitable package of aid to students receiving both vocational rehabilitation services and federal financial aid. As I understand it, this was accomplished and a good agreement was worked out between the two sets of administrators. Has your department ever considered doing the same thing to work out some package of equitable aid for students receiving both AFDC payments and student financial assistance?

Answer: Traditionally and currently we consider AFDC payments as a source of income as we do the parents' and student's income in determining a student's need for financial aid. The Department certainly supports interagency cooperation in the disbursement of funds to needy students. In the past the statutory Pell Grant need analysis system has assessed AFDC and all other income differently from the need analysis methods generally used for the campus-based programs. Under the single need analysis system provided under the Education Amendments of 1980, the treatment of AFDC payments will be consistent among Title IV programs, and will be set forth in regulations developed by the Secretary in conjuntion with the higher education community and reviewed by the Congress. The views of AFDC administrators will certainly be sought in this process.

Senator Andrews: One of your proposals is for the federal government to get out of the National Direct Student Loan collection business. You believe that it should go back to private collection agencies. It is my understanding that private collection agencies had this responsibility in the past and were unsuccessful in collecting a significant number of these loans. It was a last resort to turn to the government to collect them. Given the past failure of private collection agencies to bring back a number of these loans, why do you feel that they should once again be assigned to them?

Answer: The use of private collection agencies as contractors for the colleges has been encouraged under the due diligence section of the National Direct Student Loan program (NDSL) regulations to assist in the collection of defaulted NDSL accounts. The use of such agencies at the institutional level has been encouraged because in many cases they have proven useful in improving institutional collection rates. It is true that in some cases private agencies have not been successful. However, it should be pointed out that the collectibility of NDSLs is often related to the adequacy of borrower counseling at the school and initial institutional billing procedures. Under the Administration's plans, schools will continue to have the primary responsibility for pursuing NDSL collection, and we will continue to work with them to improve performance of these responsibilities.

The Secretary has decided to expand Federal contracting with private collection firms in fulfilling his responsibility to collect NDSL defaults which are assigned or referred to the Department. (Only about 10 percent of NDSL default accounts are assigned or referred to ED.) This decision is in keeping with this Administration's view that Government should not be performing functions which can be performed in the private sector. Evaluation of current experimental collection contracts indicates that the use of private collection firms is at least as cost effective as the use of Federal employees.
The Department's use of private collection agencies is only one tool which will continue to be used in conjunction with others--such as Justice Department litigation, IRS skip tracing, and information exchange with consumer credit bureaus. While private agencies will play a major role in the overall collection effort, the final responsibility for all loan collections will remain with the Department of Education. The Department will therefore, continue to assign permanent and temporary employees to loan collection functions.

Senator Andrews: I have been informed that several of these loans that have been collected by the federal government have taken well over a year to be paid back to the individual institutions to which they were owed. Are you aware of this situation and do you plan to do anything to improve the repayment time of other loans than might have already collected by the government?

Answer: Under a 1979 amendment to the Higher Education Act, if certain criteria are met, institutions may refer defaulted NDSLs to the Secretary for collection in exchange for a 20 percent charge. The monies collected under this authority on behalf of schools have not been returned to institutions because we have encountered a number of system development and account information problems. Over one-third of the referred loans submitted to Education Department have had informational discrepancies such as incorrect institutional identification numbers. In the fall of this year, we will generate reports to institutions giving the status of each referred loan. At the same time, the Treasury will issue checks to each institution's NDSL fund for 80 percent of the total dollars collected.

Senator Andrews: Has the Department of Education ever considered working something out with the Internal Revenue Service to cooperate in the collection of bad student loans? Since the student loan money owed is a debt to the Federal government, why are income tax refunds paid to these people when they have defaulted on these loans?

Answer: The Department uses the IRS locator service to skip-trace defaulted Federal Insured Student loan accounts and to assist both institutional and Departmental collection of National Direct Student Loan defaults. Based on new legislation, we are expanding the use of this service to include the guarantee agency aspect of the GSL program and the Cuban Student Loan program.

The Department recently participated in a Government-wide assessment of Federal debt collection practices, including the feasibility of off-setting student loan default debts against Federal income tax refunds. Changes in the Internal Revenue Code would be needed for the establishment of such a procedure. The Administration is currently preparing proposed amendments to S. 591, "The Debt Collection Act of 1981," which may include the necessary authorization for such a system.

We would point out however, that a Federal income tax off-set procedure could only be used in the case of defaults over which the Department has legal collection responsibility. In the Guaranteed Student Loan program, this would include loans under direct Federal insurance but not loans made under guarantee agency insurance--loans which now constitute almost all new GSL loan volume. (The Administration's budget related legislative proposals for fiscal year 1981 and 1982 include authority for the Secretary of Education to acquire collection responsibility for guarantee agency held GSL default accounts as necessary in order to protect the Federal fiscal interest.) In the NDSL program, an IRS withholding off-set procedure would be possible only in the case of loans which are legally "assigned" to the Education Department--currently a very small percentage of defaulted NDSL accounts.

EFFECT OF NEED ANALYSIS ON STUDENT AID ELIGIBILITY

Senator Andrews: Under the existing need analysis system for student financial assistance, a major part of the farm family's contribution towards school expenses is expected to come from the farmer's net worth -- a non-cash resource. Up to now, a student from a farm family could use the guaranteed student loan to borrow this contribution expected from assets.

If a needs test is devised for guaranteed loan borrowers, would the farm family continue to have this option?

Answer: Administration proposals under consideration at this time would result in an approved need analysis system being used, beginning July 1, 1981, to determine eligibility for Guaranteed Student Loans (GSLs) in addition to other forms of Title IV student assistance (which are already needbased). If this proposal is adopted, a student could still borrow to the extent of his/her "remaining need" and his/her parents could borrow under the GSL program to help meet their "expected family contribution" --up to statutory limits.

Senator Andrews: It is my understanding that the need analysis system to be implemented for the 1982-83 academic year will expect farm parents to contribute towards their children's school expenses 10 percent of all net worth in excess of $50,000. If this is true, up to 40 percent of the student applicants from North Dakota may become ineligible for any type of federally subsidized student aid.

If this is true, does the Administration intend to introduce legislation or regulations to correct or mitigate this inequitable treatment of nonliquid resources?

Answer: It is not correct that the need analysis system to be implemented for the 1982-83 academic year will expect farm families to contribute 10 percent of all net worth in excess of $50,000 toward their children's educational expenses.

The Education Amendments of 1980 provide for three major offsets before considering assets in the calculation of expected family contribution.

1) all equity in a family's principal place of residence
2) $10,000 from other net assets (non-homeowners have an offset of $25,000)
3) $50,000 against net farm and business assets

For example, a farm family with a home whose net worth is $50,000 would have up to $110,000 excluded from any assessment for Pell Grant purposes. And that exclusion would only be needed as an offset against net assets- equity remaining after deducting for outstanding debts and mortgages.

In addition to the legislative offsets listed above, current regulations provide for an offset for families who have negative discretionary income. Negative discretionary income results when income offsets provided for Pell Grant purposes exceed a family's adjusted gross income. For example, a family of five whose gross income was $10,000 would have a minimum offset of $11,700 for basic living expenses. This would provide a negative discretionary income offset of $1,700 to be applied against assets. Therefore, in calculating assessable assets for this family, the value of their home would not be considered and they would have $61,700 in deductions from other net assets before any assessment took place.

The assessment rate used against assets--after the above exclusions--to calculate the expected family contribution to educational costs from assets is determined under regulations which are annually presented to Congress for approval. In 1981-82 the assessment rate on assets is 5 percent. The rate for 1982-83 has not yet been proposed.

ADMINISTRATIVE COST ALLOWANCES

Senator Abdor: On page 6, in the 3rd full paragraph of your prepared remarks, you mention that the Administrative Cost Allowances (ACAs) to State guarantors will be continued. It is my understanding that former President Carter put a freeze on these funds last year. Consequently, South Dakota's guarantee agency is short approximately $332,000 in ACA funds. Do you intend to lift this freeze?

Answer: First, it should be pointed out that President Carter did not "freeze" funds for Administrative Cost Allowances to State guarantors. The 1981 continuing resolution, under which the Guaranteed Student Loan program is currently being funded, allows only for the funding of legally mandated costs. The ACAs are not mandated by law. For this reason, our Office of General Counsel has determined that the ACAs cannot be funded under the Continuing Resolution.

This Administration, feeling a commitment toward the expanding role of the State agencies in the Guaranteed Student Loan program, has included sufficient funding for the ACAs in our appropriation requests for fiscal years 1981 and 1982. These funds (which may equal up to 1 percent of newly guaranteed loan volume) are used for default collection, preclaim assistance, lender incentive payments, promotional activities and other purposes which vary from State to State. Many of the newer guarantee agencies are especially dependent on these allowances, and it is unlikely that States will be willing to provide support.

CHANGES IN GUARANTEED LOAN PROGRAM

Question: The Reagan Administration endorses the change in law proposed in the fiscal year 1982 Carter Budget that would eliminate payment of the special allowance for parent loans, thereby raising the costs of these loans from 9 percent to the market rate. However, the Reagan Administration is not recommending the Carter proposal to broaden eligibility for parent loans to parents of dependent graduate students or the spouse of an independent student. Why is the Administration supporting one proposal, but not the other?

Answer: It is true that the Administration's proposals support the elimination of special allowance payments on parent loans but do not support the broadening of eligibility requirements. Given this Administration's commitment to curtailing instead of increasing costs of student aid, we see no inconsistency in the two positions. The broadening of eligibility requirements to include parents of dependent graduate students and spouses of independent students would cause increased costs to the Government in the form of claims payments for death, disability, bankruptcy, and default, as well as increased loan volume related costs such as guarantee agency allowances.

Question: What impact will raising the interest rate on parent loans have on the volume of loans made?

Answer: We estimate that the elimination of the special allowance payments by the Government and the consequent raising of the interest rate will result in parent volume being reduced to approximately one-half of what it would be otherwise. This proposal should discourage unnecessary parent borrowing, and encourage families to use otherwise available resources, and to save rather than borrow for college expenses. In cases where borrowing is necessary, the parent loans should still offer repayment terms and interest rates more favorable than those available on nonguaranteed consumer loans.

STUDENT LOAN MARKETING ASSOCIATION

Question: The Education Amendments of 1980 extended the authority of the Student Loan Marketing Association to borrow from the Federal Financing Bank through 1984. The Administration is now proposing to end this authority much sooner. What impact do you anticipate from your proposal to hasten the end of the Student Loan Marketing Association's access to borrowing from the Federal Finance Bank?

Answer: The Student Loan Marketing Association (Sallie Mae) has been given the authority to increase its debt obligations from $3.5 billion to $5 billion by September 30, 1982. After this time, no new guarantees of Sallie Mae obligations will be provided by the Secretary of Education. The previous authorization guaranteed debt obligation on or before March 31, 1981 of $3.5 billion. Currently, Sallie Mae has outstanding debts of $3.2 billion. The $5 billion authorization not only allows the Association to increase its federally guaranteed operations by more than 50 percent over the next 18 months, but permits them to maintain this level at variable interest rates for up to 15 years.

Sallie Mae is preparing to develop a market for its obligations in private credit markets. Sallie Mae and the Department of Education have agreed that the $1.5 billion increase in guarantees over the next 18 months will provide Sallie Mae with the time and flexibility to make an orderly transition to financing through private markets. As a result, both the Administration and Sallie Mae expect that there will be no disruption in Sallie Mae's ability to provide liquidity to lending institutions.

Question: When precisely would the Association's access to FFB borrowing end?

Answer: Sallie Mae's access to new guarantees will end September 30 1982. However, Sallie Mae is authorized to issue obligations for periods up to 15 years. Therefore, Federal guarantees of Sallie Mae's debt obligations and the Association's use of Federal Finance Bank (FFB) funds may continue for up to 15 years. Authorization for long-term financing provides Sallie Mae with a substantial period of time before it is ultimately required to be independent of FFB support.

Question: Is this proposal an attempt to reduce Guaranteed Student Loan supply and thereby reduce the Federal costs attendant upon borrowing?

Answer: Borrowing from the FFB is a major "off-budget" drain on the Treasury. Its reduction is a general budgetary goal of the Administration, affecting numerous programs across the Government. While the Department of Education has approved a nearly 50 percent increase in Sallie Mae's FFB borrowing over the next year and one half, the long run effect of this final authorization will be to reduce "off-budget" costs.

Limiting Sallie Mae's access to FFB financing is not an attempt to reduce the capital available for Guaranteed Student Loans. Rather it is an attempt to insure that the program operates according to original policy intentions. The cost savings associated with reducing borrowing from the FFB will not occur at the expense of student loan supply. The Administration expects that Sallie Mae will successfully compete in private capital markets and that the supply of funds for GSL's will meet demand. Further, it should be pointed out that an increasing number of State and nonprofit agencies provide loan advance and secondary market programs for GSL lenders in addition to the national secondary market provided by Sallie Mae.

We do expect that our legislative proposals will result in some curtailment of the explosive rate of GSL volume growth. However, this would be mainly due to our proposed "remaining need" limitation on student GSLs, as well as reduced borrower demand because of the proposed reduction in Federal subsidization.

LOAN COLLECTIONS

Question: Mr. Secretary, according to press accounts, you have ordered elimination of about 75 percent of the GSL defaulted loan collection positions, claiming that collecting loans was "not integral" to the Education Department's mission. (Washington Post, March 21, 1981) How will loans be collected?

Answer: The bulk of student loan collections is now performed by Federal employees who were hired for a limited period of time. These "term" collectors account for nearly one out of every seven Department of Education employees. Currently, there are 950 term collectors on board. They are scheduled to be reduced to 390 by October 1, 1982.

By the end of fiscal year 1981 the Department will contract out most of its default collection effort to firms in the private sector. We recognize that we have a stewardship role to ensure that loans are collected, but we also believe that Federal employees should perform only those functions that cannot be performed in the private sector. Pilot contracts in two of our regions have shown that collections by private firms can be accomplished efficiently and with adequate safeguards to protect borrower rights. We are confident that contracting with private agencies will preserve the scarce resources of the Department and will maintain the current return on investment.

STATE GUARANTEE AGENCIES

Question: It is the Committee's understanding that the Department is not making payments to State guarantee agencies for their cost of administering the Guaranteed Student Loan program. Why are payments not being made?

Answer: The Continuing Resolution for fiscal year 1981 only provides for funding of Guaranteed Student Loan program costs which are "mandated by law". The Department of Education views the guarantee agency administrative allowances as discretionary costs not "entitlements" mandated by the authorizing law. (In fact, section 428(f) of the Higher Education Act provides for rateable reduction of payments whenever the appropriation is less than that needed to meet all agency requests.) Funds to make these payments are thus not viewed as available for obligation. As soon as a definitive legal interpretation to this effect was made by the Department's Office of General Counsel last fall, all payment was stopped on agency requests for these allowances. Payments are normally made on a quarterly basis; this is not stipulated in the law.

Question: What plans does the Administration have to rectify this problem?

Answer: In our revised request for fiscal year 1981 appropriations, we are seeking $45,473,000 to pay the two guarantee agency allowances. This additional funding is included in our fiscal year 1981 request for $1,847,026,000 which, because of the concomitant GSL program changes we are requesting, amounts to a net rescission of $103,270,000 as compared to funds deemed to be available under the Continuing Resolution (as applied to the entire year). If the Administration's proposed program changes (which would depress loan volume and thus these administrative cost allowances) are not enacted this year, we estimate that $64 million would be needed in fiscal year 1981 to fully fund these allowances.

These allowances (which may equal up to one percent of new loan volume insured) are used to support agency default collection, preclaim assistance, lender promotional activities, incentive payments to lenders, student enrollment monitoring and reporting and other related activities which vary from State to State. Although agencies have other sources of income (e.g., borrower insurance premiums, and the 30 percent retention allowance on default collections), many of the agencies (especially the newer ones) are quite dependent on these Federal allowances and it is unlikely that State governments will be willing to provide support.

CREDIT BUREAUS

Question: The Higher Education Amendments of last year authorize the Secretary of Education to refer defaulted borrowers to credit bureaus. What has been done to implement this?

Answer: The Department of Education (ED) has long supported the reporting of student loan defaulters to credit bureaus. The Education Amendments of 1980 have given us authority to do so with respect to defaulters on GSLs which are made under direct Federal insurance (Federal Insured Student Loan/FISL) and with respect to NDSL defaults which are "assigned" by the schools to the Department. It should be emphasized that we do not have authority to report defaulters to credit bureaus in the case of guarantee agency insured Guaranteed Student Loans (now over 90 percent of new GSL volume), or in the case of National Direct Student Loans which are not assigned to the Government (about 90 percent of defaulted accounts now outstanding).

In both programs, the necessary reporting mechanism is very complex, particularly given the size of our loan portfolio (approximately 740,000 FISL and NDSL open accounts as of September 30, 1980) and the restrictions on reporting and follow-up procedures contained in the Higher Education Act and the Privacy Act of 1974. These restrictions, procedures and notice requirements, which are not requried of commercial reporters to credit bureaus, must be built into the computer specifications now being developed in order to comply with these laws and to allow smooth interface with the credit bureau industry. Furthermore, the procurement process is unusual in that we must enter into "cooperative agreements" with the credit bureaus, rather than follow standard contracting procedures, and we will need to contract with approximately seven credit bureaus in order to ensure nationwide coverage. Despite these problems, however, we expect to be able to begin reporting NDSL and FISL defaulters to credit bureaus by October 1, 1981.

The Federal Insured Student Loan application has already been amended to include a warning that any failure by the borrower to repay the loan as scheduled may be reported to commercial credit bureaus -- either by the lender itself or by the Government.

NATIONAL DIRECT STUDENT LOANS

Question: The Administration has proposed an increase in fiscal year 1982 funding by $100 million for the National Direct Student Loan Program. The request for fiscal year 1982 is $286 million for the program. An earlier proposal under serious consideration by the Administration would have reduced the Federal contribution by 25 percent each year for a period of 4 years, thus phasing out new Federal funding. Under the NDSL program, where the school itself is the lending institution, the ability of these institutions to administer these low interest loan funds efficiently has been criticized by the General Accounting Office. While the National default rate on these loans is 16 percent -- some institutions have had default rates as high as 95 percent, according to the Department of Education's 1980 Report on Student Defaults. How can the Department justify continuing any new Federal funds for this program?

Answer: Since its inception in 1958, the National Direct Student Loan Program has helped almost 7 million needy students to finance their postsecondary education. Over 80 percent of these loans are either in a deferment period provided for by statute, are being repaid on time by borrowers who fully accept their obligation to repay the loan, or have been paid in full--thus enabling current students to borrow from their college's revolving loan fund.

While we will not slacken our efforts to further reduce the NDSL default rate, we would hope that the responsibility demonstrated by the vast majority of NDSL borrowers since 1958 will not be overlooked by your Committee or the Congress. We would also like to point out that the default rate did decline last year from 17 to 16 percent. (Because this rate is based on cumulative figures, it is slow to show the effects of improved collection performance.)

We would point out that recently the Department has strengthened and clarified its institutional collection "due diligence" regulations for this program. In order for a school to receive new Federal NDSL capital, a school must show a default rate of less then 10 percent, unless it can demonstrate that it is exercising collection diligence and its collections are improving.

The projected loan volume for the 1982-83 academic year is $780 million. Of this amount, $462 million will be met by collections from previous borrowers. Thirty-two million dollars will be provided from institutional matching funds. ED is requesting $286 million in new Federal funds to support this loan volume. The Administration feels that restoration of this level of NDSL volume is essential in order to provide a student loan "safety net" for needy students.

Question: Would you favor a provision limiting new funds only to institutions with default rates of less than 15 percent?

Answer: We believe that the current regulatory limitations on new Federal capital are preferable to such a statutory proscription because a good deal of flexibility is necessary in dealing with individual situations. In some cases, for example, the school may now be exercising adequate collection diligence and its collections may be improving although its cumulative default rate is still high. If our current administrative and regulatory efforts at improving borrower counseling and institutional management of these funds do not result in continuing improvement in NDSL default experience, we will consider additional measures.

Question: How much could the 1982 appropriation request be reduced if no new funds were provided to institutions with default rates in excess of 15 percent?

Answer: The fiscal year 1982 appropriations request would not be reduced automatically because of such a provision. Funds that would be denied to schools with high default rates would be distributed to other institutions pursuant to the statutory State allotment formula and regulatory "fair share" rules. The computed need of institutions with default rates of less than 15 percent currently well exceeds $286 million. Under the Administration's request for fiscal year 1982, most institutions nationwide would still be funded below their computed institutional need for NDSL funds.

Question: How many institutions with high default rates have been eliminated from the program because they were not making a "Good Faith Effort" to collect unpaid loans?

Answer: The coming academic year (1981-82) will be the third award period under program regulations which cut off new Federal capital to schools with high default rates which cannot show that they are exercising adequate collection "due diligence." The numbers of institutions which received no NDSL Federal capital contribution because of inadequate collection efforts was 289 in academic year 1979-80 and 106 in academic year 1980-81. At this point, 435 institutions have been tentatively cut off for academic year 1981-82. Many of these schools are currently appealing this decision; a final number will be available in a couple of weeks. (Last year very few appeals resulted in reversal of the initial decision.) It should also be pointed out that throughout the history of the NDSL program (prior to the new regulations) Federal capital contributions have been reduced to some extent in cases of poor institutional collection performance.

INTEREST SUBSIDY PAYMENTS

Question: As you know, the Federal Government presently pays to banks all of the in-school interest incurred under the Guaranteed Student Loan Program. Earlier this week during floor consideration of the Budget Committee's reconciliation instruction, some concern was raised concerning a number of banks making these loans. Apparently, these banks are in the practice of paying out only a portion of the loan in the autumn and retaining the balance until January or midwinter. Does the Department make interest subsidy payments to the banks on funds that have not yet been disbursed to students, and if so, how can this practice be justified?

Answer: In the case of approved lenders which have entered into agreements with the Secretary to make multiple installment loans, the Department makes both interest subsidy and special allowance payments based on the entire annual loan amount even though only part of this amount is disbursed to the student. This procedure is authorized under Title IV, section 428(a)(8) of the Higher Education Act. These provisions were added in the Education Amendments of 1976 as an incentive for greater lender participation (because of the increase in lender yield which can be obtained) and as a means of limiting default amounts when the student fails to enroll or drops out. We have no evidence from lender reviews to indicate that lenders are billing us for subsidies on undisbursed loans other than in circumstances authorized by section 428(a)(8).

Question: What is the estimated amount of interest subsidy payments made in connection with undisbursed loans in fiscal year 1981 and 1982?

Answer: While we do not have discrete breakouts on the amount of interest and special allowance payments to lenders with 428(a)(8) agreements, the figures would be relatively small in comparison with total interest and special allowance subsidies paid under the program. This is because only about 1,000 lenders have executed such agreements and most of them are small lenders, representing a small share of program loan volume.

HIGHER EDUCATION FACILITIES LOAN FUND AND INSURANCE

Question: Mr. Secretary, the Administration has asked for deferral of $25 million in loan authority under the Higher Education Facilities Loan and Insurance fund. The budget justification for this account states that the unobligated balance in this fund is dropping at a precipitous rate, whereas in testimony last year, Department witnesses indicated they thought the fund would level off at $30 million in 1985. Can you explain this discrepancy?

Answer: Last year's projection that the fund balance would level off at approximately $30 million in 1985 was a reasonable expectation at that time. However, there are two factors which altered this projection. First is the need in fiscal year 1982 to cover redemption of approximately $30 million in Participation Certificates. The original sale of PCs was conducted under two separate trust agreements with GNMA and there are, therefore, two separate types of participation certificates. Two separate accounts exist at GNMA and principal repayments and interest relating to the original sale of each type are deposited in each account respectively. The balance in the account from which the PCs must be redeemed in 1982 is short of the amount needed by approximately $10 million. This amount was determined in the process of formulating the 1982 budget request and was not included in last year's projection.

The second factor affecting the projected cash balance in the loan account is the increasing rate of interest payable annually to the Treasury Department on the outstanding loans made from appropriated capital. Last year, for example, based on a Treasury rate of 9 1/8 percent, it was anticipated that the annual interest expenses to the Treasury would continue to exceed annual collections of interest and principal by diminishing amounts until about 1985 when the Treasury interest expense on the then outstanding principal amount of loans would be equal to the annual loan collections. At that time, it was expected that the fund balance would be about $30 million and would slowly begin to increase in subsequent years as the annual Treasury interest expense decreased below the annual collections.

However, the increase in the Treasury rate to 11 1/4 percent sharply increased the annual deficit, placing an unanticipated additional drain on the fund.

The rise in interest rates has had two effects. First the unobligated balance, projected to be $30 million in 1985, will be exhausted during 1983. Appropriations will, therefore, be required to meet interest payments to the Treasury. The second effect is that the date is further advanced when loan collections and Treasury interest expenses will equalize. Under current rates this will not occur until 1988.

The above principal may best be illustrated by reviewing a typical loan under this program. For example, an average loan would be for $1 million for a term of 30 years at 3 percent interest with interest payments only for the first 2 years and full debt service payments for the remaining 28 years. Under such a loan the average annual debt service (principal and interest) would be approximately $53,000. With Treasury interest being charged each year at 9 percent on the declining principal balance of the loan, it would be the 17th year of the loan, when the outstanding balance is about $566,000, before the Treasury interest would be less than the $53,000 in annual collections. However, with the Treasury rate at 11.25 percent it would be 20 years into the loan before the Treasury interest would be less than the $53,000. Therefore, an increasing Treasury rate not only increases the annual deficit, but extends the period during which an annual deficit will occur.

Background to the Higher Education Facilities Loan and Insurance Program: The Loan Account is made up of two sources of capital as follows:

(1) Capital derived from the public sale of Participation Certificates (PCs) by the Government National Mortgage Association (GNMA);

(2) Capital appropriated by the Congress.

Loans made from PC capital are pledged to GNMA as security for the PCs. All principal and interest collected on these loans are transferred to GNMA for payment of interest on, and to redeem, the principal amount of PCs as they mature. Because the interest rate on the PCs (5 percent to 6 percent) exceeds the interest rate (3 percent) on loans made from the Loan Account, interest insufficiency appropriations are authorized annually to maintain the long term integrity of this portion of the Loan Account.

In accordance with Section 733 of the Higher Education Act, loans made from appropriated capital are, in effect, borrowed from the Treasury Department at current Government borrowing rates as determined annually by the Secretary of the Treasury. Accordingly, with sharply increasing Treasury rates in recent years, the annual interest payment to the Treasury Department is greatly exceeding the total collections of principal and interest (3 percent) on the outstanding loans made from appropriated capital. This annual deficiency, for years, has been charged against the unobligated balance of appropriated capital in the Loan Account which represents the residue of a $150 million appropriation in 1969 which was frozen and never loaned out. Had these funds not been available, annual appropriations would have been required to cover the annual deficits as well as cover other minor costs associated with the management of the loan account. At the end of fiscal year 1982, there will be an unobligated balance of approximately $6.5 million and the balance will be depleted during fiscal year 1983.

Question: Can the fund sustain the cost of making additional loans?

Answer: In view of the present Treasury interest rates, the answer would be "no" since the cash balance in the fund will be depleted by fiscal year 1983. Any new loans, either before 1983 or after 1983, will ultimately require a dollar for dollar appropriation. Moreover this would increase the outstanding loan balance from Treasury and would result in increased interest payments to Treasury. Further appropriations would then be required to support these additional costs.

Question: Will Congress have to start making appropriations to cover the cost of old loans in the future? Why? When?

Answer: Yes. Appropriations will be required to meet the cost of interest on Treasury borrowing. In past years this interest expense was paid out of the fund's unobligated balance. This balance will be exhausted during 1983 and an appropriation will be required in that year.

The projected fund balance has been drastically affected by recent increased Treasury rates and by $10 million required by GNMA to cover redemption of PCs. The increased Treasury rate alone will result in depleting the original projected cash balance since it will increase the annual deficit by almost $6 million (an additional 2 1/8 percent on $276 million in outstanding loans as of October 1, 1980). This increased rate, when taken over the 5-year period of last year's projection, results in a cumulative decrease of approximately $27 million.

COLLEGE HOUSING LOAN PROGRAM

Question: The Administration is requesting a rescission of all funds for the College Housing Loan Program in fiscal year 1981, and new budget authority in fiscal year 1982. What evidence do you have to show that additional federal appropriations are unnecessary?

Answer: The number of 18-24 year olds will decline by nearly 20 percent by the end of the decade. This is the age pool from which most full-time college students are drawn. Enrollment in postsecondary education, therefore, is expected to decline substantially during this period. As the number of full-time students on campus declines, the demand for student housing will diminish. Moreover, the number of adults returning to campus on a part-time basis, who will not be using on-campus housing is increasing and will continue to account for an ever growing proportion of enrollments. These two trends indicate that higher education institutions will not require additional student housing in the foreseeable future. In fact, there is likely to be excess housing capacity in the 1980's. For this reason, Federal support for student housing takes a low priority when compared to other areas of educational need.

In order to inform future policy decisions, the Administration is currently developing a quick response survey to colleges and universities concerning their student housing needs.

VETERANS' COST-OF-INSTRUCTION PROGRAM

Question: The Veterans Cost of Instruction (VCIP) program is proposed to be eliminated in fiscal year 1981. Are colleges sufficiently prepared to assume the services provided to the veterans through the VCIP program?

Answer: The Veteran's Cost-of-Instruction program (VCIP) was created in 1972 to respond to the special adjustment problems of Vietnam-era veterans. The peak year of veteran enrollment in postsecondary education was 1976 when there were approximately 910,000 enrolled veterans who were eligible for services under VCIP. By 1980, the number of eligible veterans had declined to 320,500. Projections indicate that eligible veteran enrollment is likely to fall below 215,000 in 1982. It should be noted, further, that veteran enrollment in postsecondary education has declined to the point that the Veterans Administration has eliminated its Veterans Representatives on college campuses. Most institutions of higher education offer a variety of counseling, tutoring, and career placement services. While the ability to assume the services provided under VCIP will vary from college to college, it is assumed that most veterans attending postsecondary institutions will receive assistance under those counseling and tutoring programs traditionally provided by the institutions. Furthermore, the Upward Bound program, supported under TRIO, funds a number of projects designed especially for veterans.

Question: If Congress accepts your proposal to eliminate this program, are we undermining our debt to those who served in the military during the Vietnam-era? Why not?

Answer: The VCIP program provides formula grants to institutions of higher education based on the number of veterans enrolled and receiving veterans' educational or vocational rehabilitative services. Declining veteran enrollments have greatly reduced the number of undergraduate veterans using G.I. Bill benefits as well as the number of institutions participating in the VCIP program and the size of the awards. As a result, the VCIP program is no longer a cost effective means for assisting veterans pursuing postsecondary education and consequently the Administration is not requesting funding for the program. A number of those who served in the military during the Vietnam-era will continue to receive assistance to attend postsecondary education under the G.I. Bill. It is assumed that these students will seek needed assistance under traditional counseling programs at the institutions.

NATIONAL CENTER FOR EDUCATION STATISTICS

Question: Since the same level of funding is being requested for fiscal year 1982 for the National Center for Education Statistics (NCES) as was received for fiscal year 1981, can you please tell us your justification for sparing the National Center from the budget cuts requested for nearly every other Federal education program?

Answer: NCES is the only Federal agency charged with the mission of collecting and disseminating general purpose as well as policy-relevant statistical information regarding the condition of education in the United States. The information collected on individual students and on institutions represents a national resource of considerable value which is not replicated in either the public or private sector.

Through NCES, education policy makers have available to them an accurate and reliable source of objective, apolitical, and timely information. The information NCES provides is available to the Congress, the Executive Branch, policy makers throughout State and local governments, and to the public.

The fiscal year 1982 budget request for NCES represents the third year of funding at the fiscal year 1980 level. Based on OMB figures, this represents a reduction of 17 percent from 1980 to 1982 due solely to inflation.

Question: What studies, surveys, and other statistical collections were envisioned under the initial fiscal year 1982 request (for an increase of $3.5 million) that will now be foregone under under the current fiscal year 1982 request?

Answer: The present budget request for NCES will support only a basic education statistics program. The following major activities will be foregone under the revised fiscal year 1982 request:

1. Collection of data pertaining to the need of both aided and non-aided college students for financial assistance and the packaging of various categories of higher education awards will not be undertaken. The information would have supported redesign of student aid options based upon not only student needs but also differential educational outcomes (e.g., retention and completion) of aided and non-aided students.

2. Collection of data pertaining to the degree and quality of services received by children in preprimary schools will not be undertaken. In 1979, 50 percent of the 3-5 year old children were involved in some form of outside-the-home preprimary activities and that proportion is expected to increase.

3. Four additional Fast Response Surveys beyond the three to four contained in the basic program will be foregone.

4. The survey of recent college graduates (1981-1982) will not be conducted. This survey provides basic data on post-college employment activities of college graduates, by field of education.

5. Conduct of data collection and analysis activities to meet the Congressional mandate to produce the second report on profiles of between and within State disparities of educational resources will be foregone.

6. Several component surveys of HEGIS, the Higher Education General Information Survey, will not be funded in fiscal year 1982. These foregone surveys produce data on college and university libraries (staff, salaries and holdings); physical facilities (a basis for addressing issues such as deferred maintenance, energy consumption and physical access), and interstate patterns of student mobility (residence and migration). The latter provides data to the States on in-State and out-of-State student enrollment patterns. This capability is not likely to be replicated by the States since all States must be simultaneously involved.

   Surveys of faculty salaries and college and university financial operations will probably now be conducted on a less than annual basis. Such data, not available from other sources, has proven to be valuable for State legislative decisions, and college and university management decisions.

7. The Center will not be able to conduct planned assessments of the quality of data from the Vocational Education Data System (VEDS), nor, to the degree provided in prior years, offer training and technical assistance to the States who provide VEDS data, nor conduct planned for ad hoc analyses of VEDS data.

8. In addition, a number of other studies, validations, and other activities will be foregone, and certain studies, such as "The High School and Beyond," will be reduced in scope.

Question: For what priority areas do you use the Fast Response Survey System to obtain information?

Answer: The Fast Response Survey System is designed to provide new, policy-relevant data to requesting Departmental officials on a quick turnaround basis. Priorities are determined in part by the officials who request the information, and thus cannot be predicted or categorized in advance. NCES develops instruments to meet their data requirements. The FRSS, by design, has a short questionnaire, a small sample, and a standardized data collection format, and for this reason only certain types of information requests are suitable for an FRSS survey.

Question: How much more does it cost to obtain information from the Fast Response Survey than by using the regular information gathering procedures?

Answer: The incremental costs of adding additional data items to existing NCES basic surveys can be less or more than the costs of conducting an individual survey using the Fast Response Survey System, depending upon the complexity of the basic survey design and the particular preselected sample area.

NATIONAL INSTITUTE OF EDUCATION

Question: The Administration has requested a 25 percent cut in the National Institute of Education (NIE) budget. What aspect of the Agency's operation would be most affected by this reduction?

Answer: The Institute, in consultation with the National Council on Educational Research, is examining the impact of the proposed $61 million budget as well as the impact on near-term research for educational improvement. The magnitude of the proposed reduction will have considerable impact on all our work, although we will make sure that we preserve, to the extent possible, the essential services provided by the Institute.

Question: The 17 regional laboratories and research and development centers are funded by NIE to conduct the kinds of research and development you mention. Can you describe briefly your plans for continued utilization of these labs and centers under a block grant system?

Answer: The NIE program is not slated to become part of the consolidated block grants; however, NIE will continue to provide assistance to State and local agencies especially through NIE-supported regional educational labs and research and development centers. NIE will work particularly with the regional labs to enable them to assist State and local agencies in the regions to meet the new demands resulting from the consolidation.

Question: What special characteristics of NIE justify its exclusion from the proposed block grants to State and local school districts?

Answer: The National Institute of Education is the primary Federal agency engaged in educational research, which is recognized as an appropriate Federal role. The Institute's research, development and dissemination activities represent a promising way to improve education without intruding on the primacy of State and local governments. The performance of research at the Federal level on major issues determined by the educational community is more economical and effective, and has utility throughout the country at all levels of education.

TEACHER CORPS

Question: The Teacher Corps program is proposed to be cut by 25 percent in Fiscal 1981. What effect, if any, will the proposed rescission have on supply of and demand for Teacher Corps participants?

Answer: The effect on the supply and demand for Teacher Corps participants will be mixed. All Teacher Corps projects funded in fiscal year 1981 are continuations which were begun in 1978 and 1979. The regulations require that these projects maintain the same number of interns each year. Those lost through attrition must be replaced. Although the rescission will force a cut back in the amount of funds going to individual projects, each project will maintain the same number of interns. Thus the supply of Teacher Corps interns will not be affected by the proposed rescission.

However, the number of other participants such as teachers, community members, university professors, administrators, and students in each project's inservice and community activities will decrease because a reduction will force projects to devote a greater portion of their funds to supporting Teacher Corps interns.

Question: Will the Secretary of Education be forced to use his discretionary authority to reallocate Teacher Corps enrollment between States?

Answer: No, currently there are 132 continuing Teacher Corps projects around the country. There is at least one project in each of the 50 States and the Trust Territories. Under the proposed rescission, we do not plan to drop any projects. However, each project will receive a reduced amount of funding.

Question: If so, which States could lose Teacher Corps members due to the proposed rescission?

Answer: All projects will be affected equally by the proposed rescission; none will be discontinued. Each project will determine how best to allocate their reduced resources. Because of funding reductions, however, fewer people will be able to participate in project activities.

METRIC EDUCATION

Question: The Administration is proposing a 25 percent rescission in the Metric Education program in fiscal year 1981. Would the proposed rescission of 25 percent significantly reduce the scope of the Metric Education program to such an extent that little could be achieved with these funds?

Answer: Under the proposed rescission, the total number of grants funded would be reduced rather than decreasing the amount going to each project. Although this would mean that approximately 35 projects would be supported, as opposed to 46, each funded project would be able to carry out all of its activities as originally planned.

Question: To what extent do schools rely on Federal funds to develop Metric Education Programs?

Answer: School systems must respond to many competing curriculum priorities with increasingly limited resources. To a large extent, States and local school districts use Federal funds to augment their metric education activities. In some cases, States and local schools will have initiated activities on their own and will use Federal funds to refine, expand, and disseminate their activities. In other cases, Federal funds are used to plan or to develop programs, and State and local funds are used for implementation. The focus of the Metric Education program has been, however, to support projects that enhance the capacity of the funded agency to continue their efforts after the period of Federal funding. In most cases, schools have been able to carry on the programs supported by Federal funds.

Some States like New York, California, and Maryland have resolutions that support the implementation of metric education in the schools. These States have requested and received funds to help implement such programs. Other States, like New Mexico and Texas, developed small scale models on their own and have used Federal monies to field test, validate, and disseminate these models on a larger scale. Finally, other States, such as Virginia, Louisiana, and Illinois, developed State-wide interdisciplinary models on their own, defined and expanded these with Federal funds, and then directed the local school districts to implement such programs. The local school districts, in turn, requested Federal funds to train their teachers to incorporate metric education into their instructional programs.

Question: Have any local educational agencies developed and maintained metric education programs without Federal funding?

Answer: There are some local educational agencies that have developed and maintained their own programs. In most cases, however, they have adopted models which were developed, in part, by other funded agencies. The Metric Education program has focused on projects that lend themselves to possible adaptation by other non-funded agencies so that specific local needs can be met.

ARTS IN EDUCATION

Question: What are the specific goals of the Arts in Education Program?

Answer: The primary goal is to encourage and to assist educational agencies and others to integrate the arts into the regular elementary and secondary curriculum. More specifically, States are encouraged to develop a comprehensive plan for arts in education that will meet their needs. Local school systems, in cooperation with community arts organizations, are encouraged to do the same. These goals are met through the study of the arts in themselves, and through their use as a means for learning in other fields.

Question: Are other Federal funding sources, such as the National Endowment for the Arts, available for these purposes?

Answer: Since 1974, the Arts in Education Program has been the only Federal funding source specifically for strengthening the arts in education and making it an integral part of the school curriculum. The National Endowment for the Arts has provided modest support for artists working in educational settings and for such activities as youth concerts. Direct support of the arts in the regular curriculum has not been available from the Endowment. Some States have used Federal funds under such programs as Title IV-C of ESEA, the Emergency School Aid Act, and the Compensatory Education Program to support arts projects.

Question: What other non-Federal sources could provide funds for activities conducted by the Arts in Education Program?

Answer: The principal non-Federal sources of funds are State and local education budgets. Support for the arts from these two sources varies widely depending upon the priority and esteem assigned to the arts in education by State and local governments. Corporate and foundation support for arts in education activities has been available on a limited basis, through such organizations as the American College Theatre Festival (AMOCO), the Kennedy Center's Imagination Celebration (McDonald's and the Center's Corporate Fund), and the in-school concerts provided by the recording industry's Music Performance Trust Funds. Sustained support of the arts in the curriculum, however, comes principally from State and local education budgets.

PRE-COLLEGE SCIENCE TEACHER TRAINING

Question: The Pre-College Science Teacher Training program was recently transferred from the National Science Foundation to the Department of Education. The program provides Federal grants for in-service training of elementary and secondary education science teachers. What impact would the proposed 25 percent rescission for the Pre-College Teacher Training Program have on in-service training for science teachers?

Answer: The proposed rescission for this program would reduce the number of projects funded in fiscal year 1981 from 78 to 58. Of these 58 projects, 15 are funded jointly by the Department of Education and the National Science Foundation. The number of elementary school teachers trained in mathematics and science would also be reduced from approximately 4,290 to 3,190. As a follow-up activity to many programs, trained teachers offer workshops to transmit their project knowledge to others in their home schools. Under the proposed rescission this kind of activity would be reduced.

BASIC SKILLS IMPROVEMENT PROGRAM

Question: A recent Gallup Poll indicates that the one activity the public most wants the Department of Education to give special attention is improving basic education. How will the proposed rescission and inclusion in block grants for basic skills improvement affect the Department's capacity to do this? (Gallup Poll is the "Twelth poll of attitudes toward public schools, 1980".)

Answer: Under the proposed rescission, Federal support for the Basic Skills Improvement Program will be reduced 25 percent. This reduction will affect the activities that will take place under Part A (National Activities) and Part C (Special Activities). The rescission would not affect Part B (State Activities) since funds for this activity were distributed to the States prior to the proposal of the rescission.

Under the block grant proposal, the locus of descision-making will fall to the States and local school districts who will determine their own needs and decide what program strategies will best meet those needs. The block grant concept is based on the premise that the States and the local school districts are the most appropriate agencies to determine education priorities. The Department will provide funds to the States who have the option of supporting basic skills activities or other types of programs.

INEXPENSIVE BOOK DISTRIBUTION PROGRAM

Question: In the past, you have publicly commended the Inexpensive Book Distribution Program called "Reading is Fundamental." Funded under Basic Skills Improvement, this program is proposed for inclusion into the State block grant. Since the Inexpensive Book Distribution Program seems to be working well as a private organization, why is it proposed for inclusion into a block grant?

Answer: The State block grant proposal will place the locus of decision making at the State level. The Administration firmly believes that the States are better equipped to determine how to meet their educational needs. Funds formerly allocated to the Inexpensive Book Program will be included under the State Block Grant Program. However, this does not mean that the program itself will be discontinued. Under the block grant concept, the States can determine whether they wish to continue this activity, or whether they want to change directions.

Question: Are you aware that there are a number of States with statutes precluding their using education funds to give books away for free to youngsters?

Answer: Yes, we are aware that such statutes exist. Under the Inexpensive Book Distribution Program, the local organization must provide 25 percent of the cost of books and the Federal Government 75 percent. Only in instances where the recipients of the books are children of migrant workers can the Federal Government provide for the total cost of the books. If States wish to continue these activities they could contract with local groups in such a way that would not conflict with State law.

Question: Wouldn't this seriously hamper the functioning of the Inexpensive Book Distribution Program?

Under the State Block Grant Program, the State could choose to support this program or something like it, or they could instead support other activities.

RESCISSION IMPACT ON BASIC SKILLS

Question: How would your proposed rescission affect the national effort at upgrading basic skills in the 16,000 school districts across the country?

Answer: Under the proposed rescission, the Basic Skills Improvement Program would be affected in the following areas:

- All of the Basic Skills projects funded for three to four years would be reduced. This would affect instruction for approximately 200,000 children in grades K through 12, training for approximately 100,000 parents and volunteers, and the teaching of approximately 15,000 youths and adults in academy programs.
- 1.5 million children would not receive books through the Inexpensive Book Distribution Program.
- The activities of two Special Mathematics Programs that provide special services in advanced mathematics to 3,000 disadvantaged students would be reduced.

Question: How would the proposed rescission for Fiscal 1981 affect the allocation of funds under the Basic Skills Program? In particular, will the minimum amount of $50,000 guaranteed to each participating State mean that some States would not lose funds while others would lose a disproportionate amount?

Answer: The proposed rescission will not affect the funds allocated under the State Basic Skills Activity. Awards have already been made to the States.

LAW-RELATED EDUCATION

Question: Why is a reduction in funding for Law-Related Education being proposed since Secretary Bell recently stated that "I don't know of any other program that could buy more with fewer Federal dollars than this one."? (The Secretary also said, "There is a shocking lack of knowledge among today's youth of our legal system and how it works." Both remarks were made in a speech on February 6, 1981, before the National Leadership Training Conference in Law-Related Education.)

Answer: As Secretary Bell stated, the Law-Related Education program has been effective in bringing together school and community resources so as to teach students of all ages about the Nation's legal system and the legal process. We fully support the goals of this program. However, we are requesting a 25 percent reduction in funding for this program as well as in many others, in an effort to reduce Federal spending and thereby control one source of inflationary presure.

WOMEN'S EDUCATIONAL EQUITY ACT PROGRAM

Question: Currently a portion of funds for the Women's Educational Equity Program is used to implement Title IX of the Education Amendments of 1972, which forbids sex discrimination by any recipient of Federal Assistance. What impact would your proposed 25 percent rescission have on the ability of educational institutions to comply with Title IX mandates?

Answer: Although the Congress has authorized the Women's Educational Equity Act (WEEA) Program to provide funds to implement Title IX on the local level (the Tier II program), no funds have been appropriated for this activity. However, under the Tier I program of demonstration, developmental, and dissemination activities, the WEEA Program regulations established a priority for model projects on title IX compliance. Funded projects are designed to be replicable models which school systems and universities throughout the country can utilize to assist them in their efforts to achieve full compliance with Title IX and promote educational equity for women and girls.

In fiscal year 1981, the WEEA Program proposed to allocate 30 percent of available funds for new grants to the priority for model projects on Title IX compliance. The WEEA Program has selected 10 of the 131 applicants in this prioirty area to receive these grants.

The 25 percent rescission would eliminate all funds for new grants and therefore would prevent the WEEA Program from funding the 10 grants on Title IX compliance.

Question: This program is proposed to be included in the State Block Grant Program. What indications do you have from the States that they intend to use block grant funds to continue this program, particularly to comply with Title IX requirements?

Answer: While we have not received any direct indication that the States will use block grant funds to continue this program, it is our hope that past experience will have demonstrated sufficiently the importance of providing support in this area. Although we have made progress in this area, sex discrimination is one of the major problems facing schools. Educational equity remains a national priority and we hope the States will continue efforts toward achieving this goal.

ETHNIC HERITAGE STUDIES

Question: How will the proposed rescission affect fiscal year 1981 awards for the Ethnic Heritage Studies Programs?

Answer: The proposed rescission will mean that approximately 12 awards would not be made, reducing the total number from 33 to 21. This also would reduce the number of ethnic groups receiving support by 11, bringing the total to approximately 51.

Question: Are the reductions more likely to affect single-year projects rather than ongoing multi-year awards?

Answer: Of the 12 awards which would not be made, 8 are single-year and 4 are multi-year awards.

Question: How many new single-year awards would be made if the proposed rescission were accepted and how does this differ from those that would be awarded if the current fiscal year 1981 funding remains unchanged?

Answer: If the rescission is accepted, 11 single-year awards will be funded. If the funding for fiscal year 1981 remains unchanged at $3 million, approximately 19 single-year awards would be funded.

Question: How will the geographic distribution of project awards be affected by the proposed reduction in Federal funding for fiscal year 1981?

Answer: If the rescission is accepted, only 21 States will receive funds. If we receive $3 million in fiscal year 1981, we will be able to fund 8 additional States.

CITIES IN SCHOOLS

Question: What are the specific goals of the Cities in Schools program?

Answer: The specific goals of the Cities in Schools program are:

- To develop an optional system for delivery of services, coordinating existing resources of communities, organizations, and local, State and Federal government.
- To make the private sector aware of its role in improving the quality of education for future employees.
- To increase attendance and decrease the dropout rate.
- To improve academic achievement and social development.
- To help urban youth develop a sense of purpose and skills with which to function in society.

Question: We have heard from some of the local administrators of Cities in Schools projects who have expressed concern about the proposal that this program be placed in State block grants. They believe that since the program directly impacts upon cities, the local education agencies should administer the program. Would you consider moving this program to the local education agency block grant?

Answer: Funds in the local education agency block grant program are derived from large support programs rather than the small demonstration programs. Demonstration programs are placed in the State Block Grant Program. Under the State Block Grant Program, it will be up to the States to determine funding priorities to meet their needs.

NATIONAL DIFFUSION PROGRAM

Question: Will the National Diffusion Network serve as a part of the Federal effort to establish linkages between the various State administered programs, so that adoption of exemplary programs does not stop at State lines?

Answer: We envision the National Diffusion Network (NDN) playing a major role in identifying and disseminating exemplary programs that have been developed at the State and local level under the Block Grant Program and facilitating the transfer and exchange of successful programs across State lines for adoption in other States. To do this effectively NDN will establish and improve linkages with the State agencies that will administer block grant programs. NDN currently provides a cost effective means for States and local school districts to adopt promosing educational practices without going through the costly stages of development and implementation. To assist in this effort the program also provides training for staff members in adopting school districts to assure that programs are installed properly and maintain their original quality.

PUBLIC LIBRARIES

Question: Recent legislation changes the allocation formula for the Public Library Services program so that urban libraries could receive additional funds when an appropriation in excess of $60 million is made. The revised FY 1982 budget requests a cut of $15.6 million from the 1981 Continuing Resolution level. How will urban libraries be able to absorb this loss of Federal funds?

Answer: Urban libraries traditionally have been recipients of benefits through the Public Library Services program. In 1978, when the appropriation did not reach the urban library "trigger" level of $60 million, approximately 20 to 30 percent of the program funds reached special population groups in urban areas, such groups as the disadvantaged, the blind and physically handicapped, older readers, people with limited English-speaking ability and residents of State institutions.

SCHOOL LIBRARIES

Question: The School Libraries and Instructional Resources program has received level funding in the past few years in spite of the increasing costs of books and materials. The Administration is proposing a 25 percent rescission for Fiscal 1981 in this program. This program is also proposed to be included in the State education block grant. What assurances do you have that instructional materials and equipment would be purchased with these funds under a State block grant, rather than being used for such purposes as the purchase of athletic or recreational equipment? What restrictions will there be on the use of these funds?

Answer: The proposed legislation identifies the purposes for which State and local educational agencies may expend block grant funds. Among these purposes is the acquisition of library resources, textbooks, instructional equipment and materials. States will announce, in advance, how they plan to spend block grant funds and the students to be served. The plan must be made public to facilitate comment from interested individuals or agencies, including Federal agencies. States will report later how they spent Federal funds and will be responsible for conducting periodic audits to assure proper expenditures.

FRAUD AND ABUSE

Question: In an earlier hearing, the Department mentioned the likelihood that fraud and abuse which exists at the Federal level would be reduced with the consolidation of many education programs into block grants to states and localities. On what does the Department base this assumption?

Answer: The opportunity for fraud, abuse and mismanagement of Federal funds at the Federal level bears a direct relationship to the amount of stewardship and other managerial responsibilities assigned to Federal managers. Since block grants generally result in less Federal involvement in decision making and managerial processes, the extent of fraud, abuse and mismanagement could conceivably be reduced at the Federal level.

Question: Is there any basis for concern that consolidation may merely result in the transfer of fraud and abuse to the state and local levels?

Answer: Yes, there is a basis for this concern. Our audit and investigation activity has shown that fraud and mismanagement of Federal funds has been more prevalent at the grantee or recipient level than at the Federal level. In fact, our contract and grant audits invariably show that mismanagement of Federal funds most often occurs because Federal program officials did not adequately monitor or oversee the manner in which Federal funds were expended at the local or State levels. Some specific examples of the above are listed below:

- A State agency improperly applied lapsed vocational education FY 1978 funds totaling $3.7 million to FY 1979 project expenditures.
- Improper claims of $949,000 for a vocational rehabilitation program were disclosed in one State.
- An estimated $440,000 in student financial aid administered by one college was improperly used and the allowability of an additional $1.3 million questioned.
- A $1.2 million judgment was obtained as a result of an 18 month investigation of two west coast proprietary schools. The judge ruled that ED was entitled to recover $556,778, which was double the damages sustained for the owner's misappropriation of the schools' student aid funds. An additional $648,000 was recovered based upon the aggregate of 342 false claims each of which involved a forfeiture of $2,000.
- A Massachusetts man has been indicted on 20 counts of fraudulently obtaining guaranteed student loans. By using the names and school records of others, the individual was able to obtain approximately $20,000 in federally insured loans on which he defaulted.
- An employee of a State vocational training program prepared invoices to non-existent firms for training equipment. The employee was then reimbursed by the State with ED Vocational Training funds for the non-existent equipment.

Question: How will the Department assist the states and localities in minimizing the incidence of fraud and abuse in the administration of education programs under the block grant approach?

Answer: The role of the Inspector General under the above circumstances would of course depend on the legislation and implementing regulations for block grant programs. However, we would expect that the role of the IG would remain basically the same, i.e. to oversee the administration of the programs; to assure that audits are conducted properly and in accord with the General Accounting Office standards and to look for and thoroughly investigate indications of fraud, waste and abuse reported to and/or uncovered by the Office of Inspector General through its audit, investigation and "hotline" activities.

Question: How will the Office of Inspector General and the Office for Civil Rights fit into a consolidation plan?

Answer: With respect to the Office of Inspector General, the mechanics of such a consolidation plan would depend upon the legislation and implementing regulations for block grant programs. However, despite any such consolidation, we would anticipate the role of the Office to remain basically the same, i.e. the OIG would remain responsible for performing and overseeing audits of ED's $15 billion budget to insure compliance with applicable laws and regulations.

Regarding the Office for Civil Rights, this would depend on the provisions of any enacted legislation, including whether such legislation contained specific nondiscrimination requirements and the relationship of such requirements to the current Federal civil rights authorities.

Question: Do you expect the role of the Office of Inspector General and the Office for Civil Rights to change substantially with the enactment of block grants?

Answer: Again, legislation and implementing regulations could affect the responsibilities of these two offices. However, in the absence of a major revamping of the Federal guidelines, substantial changes in the basic roles of OIG and OCR are not foreseen, although both offices expect increased contact with State and local officials.

OCR/PAY RAISE SUPPLEMENTAL

Question: The Office for Civil Rights has been requested to absorb the entire $1,341,000 in salary increases resulting from the October 1980 pay raise. How does the Office for Civil Rights plan to absorb the $1,341,000 that was needed but is not being requested? Can this be done through attrition or will you have to fire personnel?

Answer: The $1,341,000 necessary for the October 1980 pay raise will be covered by reduction in several categories of non-personnel costs. The primary areas affected in fiscal year 1981 are: travel, equipment, technical assistance contracts and compliance information and assistance contracts.

OCR/AFFIRMATIVE ACTION TARGETS

Question: Would you comment on the Administration proposal to eliminate affirmative action "targets"?

Answer: The civil rights laws enforced by the Department do not contain specific affirmative action requirements. This is in contrast for example, to the Department of Labor's responsibilities under Executive Order 11246, as amended, which contains a specific affirmative action requirement. However, when discrimination has been identified the Department's Office for Civil Rights is obligated to require a recipient to adopt a corrective plan. Depending upon the particular violation such a plan may involve "affirmative action" measures.

In such instances, affirmative action plans required are characterized by two key elements. First, we attempt to establish goals which permit maximum flexibility by recipients and minimize Federal intrusiveness while ensuring compliance with the laws. Second, the goals established are not rigid or arbitrary and are satisfied by good faith efforts.

OCR

Question: Departmental testimony last month indicated that the Office for Civil Rights is less than satisfied with the exisiting relationship between the Federal and State Offices for Civil Rights. What is being done to improve this relationship?

Answer: The national goal of equal educational opportunity can only be achieved by the combined efforts of Federal, State and local governments. In the past, the Federal government has provided civil rights leadership and has acted to eliminate illegal discrimination in federally assisted programs and activities. While continued Federal leadership and enforcement activities are necessary to ensure nondiscrimination in educational programs, the realization of the civil rights guarantees ultimately depends on the actions of State and local officials.

The Department is working to improve its relationships with State agencies with civil rights enforcement responsibilities. I know that many of these agencies have the capacity and willingness to assist the Department in enforcing the civil rights laws and we will be trying to establish cooperative efforts in this regard. This makes for the more efficient and effective enforcement of the laws. It is also my intention to encourage greater participation of State-local agencies in the formulation of the Department's civil rights policies and standards and in our planning and operational activities.

OCR/HANDICAPPED PERSONS

Question: Regulations for Section 504 of the Rehabilitation Act of 1973 require that all federally assisted programs and activities be accessible to the handicapped. During testimony by the Department last month, two questions in particular were asked that the Department has no answer for. Perhaps by rephrasing the questions to you, Mr. Secretary, we could get some answers.

Are all federally assisted colleges and universities presently in compliance with Section 504 regulations?

Answer: Essentially, the response to the Section 504 regulations has been positive. Many colleges and universities have recognized that there were deficiencies in the treatment of handicapped applicants and students and have shown a very cooperative attitude towards the Department's efforts to ensure equal opportunity to handicapped persons. Also, the Department has made extensive efforts to provide technical assistance to colleges and universities so that they would know what was expected of them under the regulations.

Of course, not all colleges and universities are presently in total compliance with the regulations, but we have encountered very few cases where institutions have not made substantial efforts to comply. In many cases where we have found noncompliance, the violations were relatively minor and have been resolved by voluntary corrective agreements. The Department's Office for Civil Rights has not been compelled to initiate administrative proceedings against any institution to terminate Federal financial assistance. I think this is testimony to the generally cooperative attitude of recipients.

We anticipate there will be additional instances of noncompliance determined as a result of the civil rights enforcement program. The

Department will continue to deal with such instances on an individual case-by-case basis. Reasonable remedial plans that are consistent with legal requirements will be accepted by the Department and colleges and universities can retain eligibility for Federal assistance by agreeing to such plans.

Question: Has the handicapped enrollment as a percentage of total college enrollment increased since Section 504 was enacted? Be specific.

Answer: My understanding is that there is virtually no information on the enrollment of handicapped students in postsecondary education institutions prior to the enactment of Section 504. However, the few subsequent studies do indicate an increase in the enrollment of handicapped students. For example, in a 1980 national study funded, in part, by the National Institute of Education, 2.8 percent of freshmen identified themselves as physically handicapped. This suggests an increase from previous research indicators.

ADVISORY COMMITTEES

Question: How many advisory committees are currently being funded in the Department? What are they?

Answer: The Department has 23 chartered committees. They are as follows:

Advisory Council on Developing Institutions
Advisory Council on Education Statistics
Advisory Council on Native Hawaiian Education
Advisory Panel on Financing Elementary and Secondary Education
Asbestos Hazards School Safety Task Force
Commission on the Review of the Federal Impact Aid Program
Community Education Advisory Council
Federal Education Data Acquisition Council
Intergovernmental Advisory Council on Education
National Advisory Board on International Education Programs
National Advisory Committee on Accreditation and Institutional Eligibility
National Advisory Committee on Black Higher Education and Black Colleges and Universities
National Advisory Council for Career Education
National Advisory Council on Adult Education
National Advisory Council on Bilingual Education
National Advisory Council on Continuing Education
National Advisory Council on Ethnic Heritage Studies
National Advisory Council on Indian Education
National Advisory Council on the Education of Disadvantaged Children
National Advisory Council on Vocational Education
National Advisory Council on Women's Educational Programs
National Board of the Fund for the Improvement of Postsecondary Education
Advisory Council on Dependent's Education

Question: What is the total annual budget for the various advisory committees within the Department?

Answer: $2,949,000.

Question: How important are advisory committees to the functioning of the Department?

Answer: The Department's advisory committees are intended to provide a useful channel of professional and lay, but non-Federal, recommendations to assist us in carrying out our statutory functions.

Question: Do you have any plans to combine or terminate any of the advisory committees? If so, which ones?

Answer: All of the Department's committees are being reviewed now in the Annual Comprehensive Review (ACR), which is required by the Federal Advisory Committee Act. Our recommendations will be forwarded to the Office of Management and Budget, through the GSA Committee Management Secretariat, when the study is concluded. Because this is a new Administration, our recommendations to OMB will be tentative and our review of all advisory committees will continue.

Question: Do you have any plans to combine or terminate any of the advisory committees? If so, which ones?

Answer: The Annual Comprehensive Review (ACR) of advisory committees, which is required by the Federal Advisory Committee Act, is being conducted throughout the Department now. Our recommendations will be forwarded to the Office of Management and Budget, through GSA Committee Management Secretariat, when the study is concluded.

Student Financial Aid Commission

Question: Who are the Members of Congress who have been chosen to serve on this Commission?

Answer: Members of Congress who have been chosen to serve on the Commission include: Congressman William D. Ford (D. Michigan), Chairman, appointed by the President; Congressmen David Obey (D. Wisconsin) and Wendell Bailey (R. Missouri), appointed by the Speaker of the House; and Senators Claiborne Pell (D. Rhode Island) and Robert Stafford (R. Vermont), appointed by the President pro tempore of the Senate.

Question: How large a staff would the Commission have?

Answer: The statute authorizing the Commission does not specify a staffing pattern but rather allows "such personnel" as the Commission "deems necessary." The Administration's supplemental budget request for fiscal year 1981 includes compensation for 9 full time equivalent positions. The fiscal year 1982 request includes funding for 12 positions. The actual staffing will be contingent upon the wishes of the Commission membership and the final appropriation approved by the Congress.

Question: How are these staff to be chosen?

Answer: The staff will be chosen by the Chairman in consultation with the other members of the Commission.

Question: What effort has been made to recruit staff and membership who can bring a new perspective to bear on the problems of student financial aid?

Answer: Clearly the President, the Speaker, and the President pro tempore of the Senate, in making their appointments to the Commission within the strictures of the statute, chose individuals with long interest and experience in student financial assistance. When the Commission begins its work, we can anticipate that a wide array of opinion and perspectives will be sought through various means, possibly including hearings, the submission of papers, and the use of advisory groups. Inasmuch as no funding has yet been approved for the Commission, no staff has been recruited.

SUBCOMMITTEE RECESS

Senator SCHMITT. The subcommittee will stand in recess until Tuesday afternoon, April 7, when we will hear testimony from the Secretary of Labor.

[Whereupon, at 5:25 p.m., Thursday, April 2, the subcommittee was recessed, to reconvene on April 7.]

[CLERK'S NOTE.—The March 11, 1981, testimony of the Soldiers' and Airmen's Home, the ACTION Agency, the Community Servicer Administration, and the Railroad Retirement Board follows.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

WEDNESDAY, MARCH 11, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:35 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. James Abdnor presiding.

Present: Senators Schmitt, Abdnor, Specter, and Burdick.

SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE, GOVERNOR

ACCOMPANIED BY:

- **COL. ROBERT W. HAMPTON, SECRETARY-TREASURER**
- **ARTHUR J. CURRY, BUDGET OFFICER**

SUBCOMMITTEE PROCEDURE

Senator ABDNOR. The committee will come to order. Today, we'll hear testimony from 4 of our 12 so-called related agencies, the Soldiers' and Airmen's Home, the ACTION agency, the Community Services Administration, and the Railroad Retirement Board.

We'll begin with testimony from the Soldiers' Home located just a few miles north of the Nation's Capitol. Here to testify is Lt. Gen. George McKee, and we welcome you to our hearings this morning, General.

INTRODUCTION

If you will please introduce your associates, and give us a brief overview of the Home's operation?

General MCKEE. All right, Mr. Chairman. This morning I have with me Col. Robert Hampton, the Home Secretary-Treasurer, and Mr. Arthur Curry, the Budget Officer.

The U.S. Soldiers' and Airmen's Home is located about 3 miles north of the Capitol. It's been located out there since 1851, when the Home was established at that time by Congress.

For the benefit of the visitors you have here this morning, Mr. Chairman, I would like to state that this is not a taxpayer-supported facility. Its source of income is from contributions from the enlisted personnel of the Army and the Air Force, plus the court-martial fines. The two sources of income were authorized by Congress in 1851. We also have a trust fund, a permanent fund on deposit with the U.S. Treasury from which we draw interest. That also is part of our income as well as a users fee collected from the members who reside there at the present time. The 2,200 members, they pay 20 percent of their retirement income in order to live there.

Our budget this year is $23,825,000. That's $1,670,000 more than last year. Of the $1,670,000, $1,341,000 is the result of inflation. So that gives us an increased operating expense of $341,000 for fiscal year 1981. From the $341,000, we plan to use $299,000 on utilities conservation projects, which leaves me some $42,000 for making other minor improvements around the Home.

PREPARED STATEMENT

Senator ABDNOR. Thank you. Your statement will be put in the record in its entirety.

[The statement follows:]

STATEMENT OF GEN. GEORGE H. McKEE

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1982 appropriation request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1982 appropriation request as compared with the fiscal year 1981 appropriations. Also addressed is our request for a fiscal year 1981 supplemental appropriation of $755,000.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 87 percent of the membership is of the first group, and about 13 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; The Surgeon General, U. S. Army; Comptroller of the Air Force; Deputy Chief of Staff, Manpower and Personnel, U. S. Air Force; Chief of Engineers, U. S. Army; The Adjutant General, U. S. Army; The Judge Advocate General, U. S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by The Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D. C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 2116 beds. Our hospital has a capacity of 385 beds. Throughout the years, the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of twenty-five cents from each enlisted member and warrant officer of the Regular Army and Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courts-martial. Public Law 94-454 increased the monthly withholding to fifty cents. Public Law 96-357 amended the Act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of Section 815 of Title 10, U.S.C., commonly referred to as non-judicial punishment. The Act of 1883 established a Permanent Fund in the U. S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the Home is now receiving about 9 percent interest on its fund balance. Public Law 94-454, in addition, authorized the collection of a fee from the members of the Home. The Permanent Fund balance on September 30, 1980 was $96.1 million.

MEMBERSHIP

Our male members range in age from 41 to 96, with an average age of 66. Our female members range in age from 49 to 86, with an average age of 74. There are 74 female members. Average total membership during fiscal year 1980 was 2,213, including 2,006 present. Fiscal years 1981 and 1982 average total memberships are expected to be 2,235, with about 2,140 present.

THE FY 82 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1982 operation and maintenance appropriation request at $23,825,000, is $1,670,000 greater than its fiscal year 1981 appropriations of $22,155,000, which includes supplementals of $1,074,000 and $755,000 for pay raises and extraordinary inflation in fiscal year 1981. Briefly, the increase for fiscal year 1982 will provide for inflation and for minimal program changes to enhance the comfort and safety of the members. A detailed description of the $1,670,000 increase is included in the Home's justification booklet which has been submitted to the committee.

THE FY 81 SUPPLEMENTAL REQUEST

Subsequent to action by the Appropriations Committees on the Home's fiscal year 1981 budget, extraordinary price changes for electricity, fuel oil, and subsistence items were recognized. The supplemental request now before the committee for $755,000 is to provide funds to defray the additional inflationary costs being incurred by the Home for these necessary commodities.

ELECTRICITY

In 1980, PEPCO was granted an increase in the rates it may charge the Home. The additional cost will be $79,000.

FUEL OIL

The fiscal year 1981 budget request to Congress in January 1980 was based on using 1.6M gallons of fuel oil at an average price of 62 cents per gallon. It is now estimated that the average price of fuel oil in FY 81 will be $1.00 per gallon. The additional cost will be $604,000.

SUBSISTENCE

The fiscal year 1981 budget also provided for an average of about seventy percent of the domiciliary members present partaking all three meals (ration) everyday. The FY 81 appropriation request estimated that food would cost an average of about $2.69 per ration. It is now estimated that an average of $2.85 will be required for each ration, an increase of approximately 6 percent. This requires a program supplemental of $72,000 to defray the unforeseen increase in the price of food.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

REVENUES

Senator ABDNOR. I have read some of your history a little earlier and certainly you have a fine Home. You have an assessment or fee of 25 cents? Who pays that?

General MCKEE. The enlisted personnel of the Army and the Air Force, plus the warrant officers of the Army. In 1851, Congress said they would have withheld 25 cents a month out of their $7 a month pay. Today, the amount withheld from their pay is 50 cents a month.

Senator ABDNOR. Everyone does that, every member?

General MCKEE. Every regular Army and regular Air Force enlisted member and warrant officers of the Army.

FISCAL YEAR 1982 BUDGET

Senator ABDNOR. What are the changes between your fiscal 1982 budget request and your revised request under the Reagan administration?

General MCKEE. The only change that we have is a reduction of 16 manpower spaces. That was our total reduction.

Now, before our budget got to this level here, of course, there were other reductions we were required to take as far as the Home is concerned. But we presented a budget to the House last month and since that time, it has been reduced 16 manpower spaces.

INFLATION

Senator ABDNOR. Considering that inflation is currently running at 11 percent annually, are you able to meet your short- and anticipated long-term operating costs?

General MCKEE. The problem that we have is in the fuel oil and utilities area. We keep coming back to Congress for a supplemental to cover the increased cost of our fuel and electrical bill.

In fact, last year when we were here asking for a supplemental, we predicted that fuel prices this year would be $1 per gallon. Today, we are paying 90 cents per gallon and toward the end of this buying season, it will probably exceed $1 per gallon. We forecasted that price to the committee last year. It was too late to get that figure included in the budget at that time.

FISCAL VIABILITY

Senator ABDNOR. Does the permanent fund cover all your operating costs? To what extent does this permanent fund cover operating costs after October 1, 1981, when the proceeds from the nonjudicial fines are added to the fund? You operate entirely out of your own capital you receive from the pensions and the fines?

General MCKEE. Yes, sir; we have sufficient funds reserved in the permanent fund. At the present time, we have $96 million on deposit with the U.S. Treasury. We earn interest off that plus the other sources of income I mentioned earlier, the users' fee the members pay, the court-martial fines and forfeitures, and the withholding pay, these meet our requirements. Unless something unforeseen develops, it looks like we're in a pretty sound position beyond the turn of the century insofar as the financial support of the Home is concerned.

EMPLOYMENT

Senator ABDNOR. Well, since personnel costs amount to about 70 percent of your total budget and the personnel costs keep mounting, are any efforts being made to reduce your staff? You said you had to reduce it some under this new Reagan budget.

General MCKEE. We have reduced our work force over the past 5 years some 21 percent, Mr. Chairman.

Senator ABDNOR. What?

General MCKEE. In the last 5 years, we've reduced our work force by 21 percent. And we've done that each year because of the tightening of the budget process. But we're down now at the bare minimum of personnel strength, so far that we cannot afford to reduce it further.

In fact, we have reduced the hospital staff to the point where we're going to have to come back in the near future to get a program approved to permit an increased amount of money and personnel, as soon as I can coordinate this with the other required agencies.

LONG-TERM CARE

Senator ABDNOR. Well, how are you meeting the needs of persons requesting to receive long-term care beds at the Home? Do you have a waiting list? Do you refer them to other places?

General MCKEE. At the present time, the advertised capacity of our hospital or health care facility, as we call it, is 385. We're running about 95 percent of that capacity presently. It has been over a year and a half since I've been able to bring anyone into the Home from a nursing home or from some other hospital facility directly into my hospital.

The reason for this, Mr. Chairman, is that I have 2,200 members there. Their average age is 66. Most of those people as they become older have medical problems which develop causing them to keep filling up the hospital beds. That will definitely be one of my future requests to the committee, an expansion of that health care facility by some additional 200 beds. We need that to accommodate those people who are not members now, who are eligible and need to come to the Home. I can't bring them in now because I don't have a vacancy in the hospital. This problem has been compounded by a decision I made about 2 years ago.

We have people residing in the dormitory at the present time who should be in the health care facility. However, as a result of the nursing home fire in the district 2 years ago when 23 people perished, I closed one of our wards due to my concern about its condition and the potential for a similar disaster at the Home. This part of the hospital was constructed in 1886, has wooden ceilings and is an old structure which, should be replaced. That decision reduced the hospital capacity from 410 to 385 beds. That cut off people from going in and also delayed some from coming from the dormitory to the hospital section. Since we have the resources we should correct the situation.

SUBMITTED QUESTIONS

Senator ABDNOR. We have some additional questions that we'll give you to be answered for the record. We thank you very much for your fine testimony.

General McKEE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

FACILITIES CAPACITY

Question. Your domiciliary home has 2,116 residents and 266 beds unoccupied. What efforts are being made to recruit new residents or eliminate the unused portion of the facility?

Answer. We are continuing the publicize the Home through the various service publications and the Army and Air Force retiree news bulletins. Normally, they are published quarterly. The extra beds are located in large squad rooms where one, two, or three people now live. The rooms can accommodate six people. In the future we plan to upgrade these facilities into single-room-type accommodations. The two buildings where this exists and need the modernization were constructed in 1886 and 1910. Once the dormitories have been updated, I am confident all the rooms will be fully occupied.

PERSONNEL

Question. How large is your current staff?

Answer. As of the end of February, we had 985 employees on our rolls.

APPROPRIATIONS

Question. Governor, are you getting all the money you need out of the Home's trust fund for fiscal year 1982?

Answer. Originally our budget had in it $600,000 for the provision of installing fire escapes on the Pipes Building – our main hospital building. We wanted $416,000 to air-condition the general mess. Also we requested $666,000 to give our 250 member employees a more equitable pay scale.

In the summer the general mess becomes very hot. Our members, who are generally older, suffer due to the humidity and heat that the Washington area experiences each year. Installing the fire escapes at the Pipes Building is one of those expenditures that proves its validity in the saving of life in the case of a fire. Our member employees are only paid 50 percent of what their nonmember counterpart employees earn. Additionally, we assess these very same members a user fee currently at 20 percent of their Federal retired pay because they are members. Even with the pay raise, member rates will only be approximately 75 percent of what other employees are receiving.

ACTION

STATEMENT OF DANA RODGERS, ACTING DIRECTOR

ACCOMPANIED BY:
- MARVIN WHITEHEAD, DIRECTOR, BUDGET DIVISION
- WILLIAM HOING, ACTING ASSOCIATE DIRECTOR, DOMESTIC AND ANTI-POVERTY OPERATIONS
- ROBERT MARTIN, DEPUTY GENERAL COUNSEL
- SUZANNE FAHY, ACTING DIRECTOR, OLDER AMERICAN VOLUNTEER PROGRAMS

SUBCOMMITTEE PROCEDURE

Senator ABDNOR. Would the ACTION panel please come forward? We welcome you gentlemen to the hearing. Please proceed with your testimony on the domestic operations of the ACTION agency.

Mr. Rodgers, you're the acting director?

Mr. RODGERS. Yes, sir.

Senator ABDNOR. Please go right ahead.

INTRODUCTION OF ASSOCIATES

Mr. RODGERS. Thank you very much, Senator. I am Dana Rodgers, Acting Director of ACTION. I should explain that 2 days ago, on Monday, March 9, the Senate held confirmation hearings for President Reagan's designee as the permanent director of the agency, Mr. Thomas Pauken of Dallas, Tex. I expect he will be confirmed in a short time.

On my left is Marvin Whitehead, Director of the ACTION Budget Division and on my right is Dr. Willard Hoing, Acting Associate Director for Domestic and Anti-Poverty Operations.

With your permission, sir, I would like to introduce an opening statement into the record.

PREPARED STATEMENT

Senator ABDNOR. Please do. Summarize your statement, if you would care to.

Mr. RODGERS. Thank you very much.

[The statement follows:]

Statement of Dana Rodgers

Mr. Chairman, I am here today to present the FY 1982 Budget for ACTION, the federal agency mandated by Congress to support the work of almost 300,000 volunteers throughout America. For FY 1982, ACTION is requesting an appropriation of $145,325,000. This amount will allow ACTION to operate efficiently in achieving its legislated goal of promoting voluntary service to, for, and by the community in which the volunteers serve. In this time of re-examination of governmental priorities and programs, I am convinced that the ACTION approach of fostering self-help and self-reliance is more important than ever in order to remove local dependence on federal assistance.

For years many individuals have, in good conscience, believed that the solutions to problems confronting the poor, the disabled, the elderly, and youth are not found in government, that bureaucracy is incapable of solving people's problems and that the answers must be found in people working together. In the wake of the failure of many social programs to provide the expected results, many have come to discount legislative solutions to problems of poverty, discrimination, and decline in the quality of life.

President Reagan has insisted on the need to limit the growth of the bureaucracy, to return the government to the people and to allow people to do for themselves as much as possible. This belief that people can do more through self-reliance than through government paternalism will be the keystone of the ACTION philosophy.

ACTION's programs are about self-help; finding ways for people to help each other without having to depend on the federal government for long term assistance. ACTION helps people get off federal assistance if they are on it, encourages them to help themselves before they have to get on it, and serves the truly needy. Our programs do not encourage people to "give up" so they can go on federal assistance or to wait for expensive solutions to be found for problems that they can solve themselves. Our programs encourage and teach people the "how to" of a solution that allows them to be productive, enterprising, and self-reliant in using their own skills. Last year ACTION's volunteers contributed nearly $300,000,000 in direct volunteer services to their communities. This figure does not take into account the significant hidden value of volunteer presence in a community such as the mobilization of local, state, and private dollars, the mobilization of community volunteers, or the long-term effects and savings of independent living efforts.

In formulating the budget for FY 1982, we have made every effort to avoid increasing government expenditures and in fact, this budget represents a 22% reduction from the original FY 1982 request. This reduction, however, will not reduce the ability of our volunteers to serve.

In FY 1982 ACTION will increase emphasis on initiatives designed to integrate its programs with on-going volunteer efforts in the private sector as well as initiatives designed to focus on the problems of youth. Emphasis will be placed on building the support of corporations, national voluntary organizations, state and local government agencies, churches and other organizations which have an interest and concern in the administration of volunteer programs. Efforts to coordinate our programs with other Federal agencies will be continued.

Youth initiatives will likewise be integrated into major program activities, with particular emphasis on projects that focus on youth-related problems and/or the potential impact of young people as volunteers to address problems such as delinquincy, drug abuse, unemployment, and the plight of runaways.

Program highlights for FY 1982 include the following:

No reductions have been made to the current services levels for our three Older American Programs, i.e. Retired Senior Volunteer

Program, Foster Grandparent Program, and Senior Companion Program. All of these programs will continue to utilize the skills and talents of citizens over age 60 to meet community needs. Foster Grandparents will continue to serve children with special needs and will focus on deinstitutionalization efforts. Senior Companion Program volunteers will emphasize service to the frail elderly, helping them maintain independent living and deferring, preventing, or reversing institutionalization. RSVP will continue to provide community services in the area of energy conservation, health, nutrition, community service, refugee assistance, child abuse prevention, and crime prevention.

As requested in ACTION's budget submission, VISTA will carry out its legislative mandate to address problems of poverty in America. Emphasis will be placed on effective, well-managed projects. VISTA will encourage projects which enable the poor to develop a capacity for problem solving and an ability to mobilize local resources thereby bringing long-term benefits to their communities.

The National Center for Service-Learning will help to mobilize high school and college student volunteers to assist in community efforts to alleviate poverty and related problems. NCSL will also support the development of new and the improvement of existing service-learning programs through the provision of information, technical assistance, and training, and through research and demonstration projects. The University Year for ACTION (UYA) Program will meet its funding commitment to existing projects.

The activities of the Voluntary Citizen Participation Program will include working with state governments, private voluntary organizations, and citizens to expand the scope of voluntary community work.

This submission reflects a comprehensive review of the ACTION program and adherence to President Reagan's announced strategy to reduce the overall size and expense of the Federal government.

Under this budget ACTION seeks to continue and strengthen the efforts of citizen volunteers to serve their community and their nation. It will allow us to provide effective support and direction to community based projects and to do so in a cost-effective, productive, and efficient manner. It is the efforts of our 300,000 volunteers that justify the investment of public funds we are requesting, and it is our obligation to provide them with the resources they need to serve.

SUMMARY OF STATEMENT

Mr. RODGERS. We're here today to present two appropriation requests. First, we are requesting a rescission from our original fiscal year 1981 funding level of approximately $3,207,000 in two program areas.

We're requesting a rescission of $1,727,000 for the Vista program, which will reduce the number of Vista volunteers in 1981 by 283 to a total of slightly over 4,000. We're also forgoing our original plans to expand the senior companion program by 13 new projects and 495 new volunteers; this reduces our senior companion program requirement by $1,480,000. The total impact of the rescission will be to reduce our budget requirements for fiscal year 1981 by $3,207,000.

At the same time, we're withdrawing a supplemental request of $5,210,000 originally submitted by the agency under the Carter administration. Slightly offsetting that, we have a civilian pay increase supplemental request of $920,000. I should explain that our actual civilian pay raise requirement is $1,728,000. However, through stringent economies we are absorbing $868,000. The $929,000 requested for this purpose is the rock-bottom requirement to maintain minimally adequate management functions. In fiscal year 1982, we're requesting an appropriation of approximately $145 million, which is a $40 million reduction from the original Carter administration request.

We feel this amount is sufficient to achieve the legislative goals of the agency and our mandate to mobilize volunteers to serve community needs. We feel that the approach of using volunteers to promote self-help and self-reliance is now more important than ever, if we're to remove people's dependency on Federal resources. Self-reliance rather than governmental paternalism is the philosophy that guides our programs.

We calculate that ACTION-supported volunteers are contributing some $300 million in direct volunteer services to their communities. This is double the agency's fiscal year 1982 appropriation request.

ACTION's fiscal year 1982 budget request is a 22-percent reduction from the original Carter administration budget and it is going to require sacrifices, requiring hard decisions on our part. However, it will not reduce the vigor of our programs or impact on individual volunteers who are now serving.

It is our hope that we'll be able to continue to build a partnership between ACTION's volunteer programs and State and local governments, community organizations, private businesses, and civic organizations to support the cause and spirit of volunteerism.

NEW DIRECTOR

Our new director, Mr. Pauken, will be able to share more fully his priorities when he is confirmed. He has already expressed a strong interest in young people, including problems of runaway youth and the development of opportunities for young people to become involved in their Nation and their community through volunteer service.

He is also very interested in senior citizens and in the resource they represent for community service. Because of that, we're proposing, rather uniquely among all of the programs in the Federal Government at this time, a slight increase in the budget request for our older American volunteer programs with the exception of a slight decrease in senior companions which follows from the fiscal 1981 rescission.

BUDGET REDUCTIONS

We're requesting a reduction of $11 million in VISTA in 1982, which means we'll have to work harder to achieve an efficient and effective program to achieve the VISTA mandate to serve the poor.

Finally, on the management side, we're being hit by inflation like everyone else. We're going to reduce our staff. We're going to have to find ways to manage in a more tight, efficient, and effective manner.

We're ready for your questions, sir.

JOINT SPONSORSHIP

Senator ABDNOR. Thank you, Mr. Rodgers. You certainly are bringing new thinking here and some new approaches to the problems. The joint sponsorship refers to situations in which older American volunteer program sponsors receive authority and funding to administer more than one volunteer program?

Mr. RODGERS. Yes, sir; it's a situation where a community organization becomes the sponsor of more than one ACTION program; for example, a foster grandparents and a senior companion program in the same community.

Senator ABDNOR. How many older American volunteer programs have joint sponsorship status?

Mr. RODGERS. Approximately 70, sir.

Senator ABDNOR. During this past year, ACTION indicated that it would conduct a study on the advantages and disadvantages of joint sponsorship of these programs. What were your conclusions?

Mr. RODGERS. I would like to ask Dr. Hoing to respond.

Dr. HOING. There are some advantages and disadvantages. The disadvantage is with small programs such as ours that do not have national geographic coverage, a number of areas would be unserved by any project if all of our projects were jointly sponsored.

The advantages are joint administration, some reduced costs, unified transportation systems, and compatibility of using different types of volunteers to serve a similar clientele. We find generally there would be more advantages than disadvantages if all of our programs had full national coverage.

Mr. RODGERS. Joint programing involves not only our three older American programs, but also VISTA volunteers working together with retired senior volunteers and senior companions.

We are currently funding one senior companion and two foster grandparent programs in your State of South Dakota. When we were able to fund a senior companion project in South Dakota, rather than add a second program in a place with a foster grandparent project, we chose to work with an organization in Sioux Falls so that another part of the State was covered. The two foster grandparent projects are at Pine Ridge and Aberdeen. That's typical of what we have been able to do as we have added projects.

Senator ABDNOR. How long have you been doing that?

Mr. RODGERS. The foster grandparent program was begun in 1965. The retired senior volunteer program was initiated in 1971, and grew especially rapidly in 1972-73, after the 1971 White House Conference on Aging. The senior companion program which was based on the foster grandparent model but addresses the needs of frail elderly people, was begun in 1974.

Senator ABDNOR. The joint sponsorship status——

Mr. RODGERS. Many projects are jointly sponsored. We have joint sponsorship in 70 communities; Pontiac, Mich., comes to mind as one example where there is a common sponsor for foster grandparents and senior companions.

Senator ABDNOR. How long have you had joint sponsorship?

Mr. RODGERS. Since the senior companion program began in 1974.

Senator ABDNOR. Then you do have older American volunteer programs, and they have joint sponsorship with the Administration on Aging?

Mr. RODGERS. We coordinate with the Administration on Aging, but not through joint sponsorship of projects.

VISTA

Senator ABDNOR. What do you consider to be the primary function of VISTA?

Mr. RODGERS. It's to help people help themselves. Very simply, it's to play a part in helping poor people become unpoor, and to do that in such a way that poor people, and middle-class people, and wealthy people and government and private organizations work together in partnership, to try to alleviate conditions of poverty and create economic conditions where people will not be poor, and will not have to receive Federal, State, or county aid.

Senator ABDNOR. Do you feel that you're creating a real opportunity for these people in the VISTA program?

Mr. RODGERS. You mean for the people who participate as volunteers, sir?

Senator ABDNOR. Yes; are you creating volunteer opportunities?

Mr. RODGERS. I would hope so. Currently, some 60 percent of the people who participate in the VISTA program are from the communities being served. For example, if we have a VISTA project in Saint Paul, Minn., and there are 10 volunteers, 6 of them are probably residents of Saint Paul, many of them living in the neighborhood where the volunteers are serving. The others would come from other cities and towns across the United States. We have an obligation that has been written into our legislation to provide career development opportunities for VISTA volunteers.

Participating in the program, achieving results, working, is going to give people the confidence and experience that is going to enable them to go back to school and get further training, or to get a job in the regular labor force once their VISTA experience is over.

Senator ABDNOR. This question will put you on the spot. What do you consider to be the primary function here? The elimination of poverty itself, or the creating of volunteer opportunities? Can you have both?

Mr. RODGERS. Yes, you can have both. I thought about that question before, not only with VISTA, but with our other programs. The purpose of the VISTA volunteer, or a foster grandparent, or a Peace Corps volunteer, is to help poor people become unpoor; to help children with special needs, to help people in Africa or Latin America.

The purpose of the ACTION agency is to provide opportunities for American citizens to commit themselves for 1 year, or 2 years of their life, to help people.

That would be the way I would answer your question.

RESTRICTIONS ON LOBBYING

Senator ABDNOR. Has ACTION implemented provisions of the 1979 reauthorizing legislation dealing with political activities in VISTA programs?

Mr. RODGERS. Yes, sir; I would like to ask Mr. Robert Martin, of our general counsel staff, who has been involved in that effort, to respond to your question.

Mr. Martin. My name is Robert Martin, Deputy General Counsel of ACTION. Yes, we have implemented those operations. Recently, in the last 2 months, we have published in final form regulations which clarify the obligations of VISTA volunteers with respect to avoiding both political and lobbying types of activities.

The restriction on lobbying activities of these volunteers which was added in the 1979 reauthorizing legislation, was actually, as a matter of Agency policy, previously prohibited before the 1979 amendments. We have not had any difficulty, to my knowledge, since 1979 with those kinds of activities.

Mr. RODGERS. Let me add that I am determined, as I know Tom Pauken will be determined, that VISTA volunteers are not going to be involved in political activity, pro- or anti-union activity, or religious proselytization.

They are going to adhere to the law and Federal regulations.

Senator ABDNOR. Are you sure you have enough safeguards?

Mr. RODGERS. The safeguards are twofold. First, the regulations Mr. Martin described, and second, we have an excellent field staff.

We have 10 regional offices and 50 State offices where oversight of the projects actually takes place. We have three people, for example, stationed in Pierre, S. Dak., to cover North and South Dakota. They make sure that nothing out of line is taking place.

Senator ABDNOR. It's no good to have all the regulations in the world if they aren't enforced.

Mr. RODGERS. We are human, but we are going to do our best.

OLDER AMERICAN PROGRAMS

Senator ABDNOR. In the past, there has been discussion about the advantages and the disdvantages of transferring the progams for the elderly to the Administration on Aging.

Do you think it would be more efficient if these programs were transferred?

Mr. RODGERS. I would like to defer to our project directors and our volunteers. They express a desire to continue with ACTION.

Many of them work with organizations that deal with both the Administration on Aging and with the ACTION agency. We believe we have done an excellent job of administering the older Americans programs, and the project directors agree.

Let me explain to you some of the reasons for this preference. First of all, the older American programs are big fish in the small ACTION pond. They are very, very important to ACTION. They are our largest programs, larger than the Peace Corps in terms of dollars and volunteers.

We have almost 300,000 older men and women serving in those programs. They are not one minor part of a huge array of categorical or block grants that are flowing from a mammoth agency, with thousands of employees, and billions of dollars.

They are, rather, the lifeblood of this agency, so we really care about them and give them, I think, the kind of personal service that they might find more difficult to obtain from a mammoth agency.

The second reason is the reason I was just sharing with you in responding to your question about the VISTA program. That is our staff who are located in State offices.

It is not necessary for an older Americans project director in Omaha, Nebr., to come to Washington, D.C. in order to negotiate a grant. Or, to Kansas City or Chicago, either. We have a State program director in Lincoln, Nebr., and he's available and close at hand.

He cares about that project because he knows the people involved, and at the same time, he cares about seeing that the Federal funds are properly expended. I would argue, and I think the evidence supports me, that our decentralized program system, which is close to and can respond to the needs of the people in the States and the communities, allows us to provide more effective service to the older American programs than they would be able to receive in a larger agency.

Dr. HOING. The real question is how we see ourselves and how others see us. The thing that distinguishes us from the Administration on Aging is that one, we are a volunteer program and two, our programs provide services by older people rather than services for older people.

That is very different from the approach of other aging organizations.

Mr. RODGERS. That is a very important distinction. To us, senior citizens are a resource. They are not a clientele to be given Federal money, or to be felt sorry for by Federal bureaucrats; but rather human beings who ought to be allowed to continue long past retirement age to serve their communities.

You mentioned HHS's Administration on Aging. We do cooperate to make sure there is no duplication, no overlap. We have a cooperative agreement with State agencies on aging in virtually every State in the Union, to make sure that we are working together, each to do our part.

COMMUNITY TAKEOVER OF VISTA PROJECTS

Senator ABDNOR. Very good. Are VISTA projects and programs designed to be taken over and continued by community efforts following efforts begun by VISTA volunteers?

Do you have some of that going on?

Mr. RODGERS. Yes, sir; our VISTA program criteria requires that there be a phaseout plan with a provision for community assumption of the work of the volunteers after 3 years.

Just looking at the record, in fiscal year 1980, 180 VISTA projects completed their 3 years of service and of those, 135, which is a little under 75 percent, were successfully taken over by the community.

We are batting three out of four, which is better than George Brett.

VISTA RECRUITMENT

Senator ABDNOR. What efforts are made to recruit volunteers from the locality being served by ACTION?

Mr. RODGERS. We expect next year that 60 percent of the volunteers will be recruited locally. It's been as high as 70 percent over the last few years. It depends on the nature of the projects, and what kind of work they are doing. That is a determination made by the sponsor, and our State program director and his staff negotiating the project.

The same negotiation focuses on whether the organization has a plan that permits community assumption of control after 3 years.

Senator ABDNOR. Would it be more advantageous to have more and more of the volunteers recruited from the communities?

Mr. RODGERS. My sense is it's probably about right now. Often, the community organization needs volunteers who don't live in that area, people with specific kinds of skills.

That would be particularly true in very rural projects.

Senator ABDNOR. What type of——

Mr. RODGERS. A person, for example, with skills in town planning might be needed to work with an Indian tribal government, and there might not be anybody appropriate to be a VISTA volunteer with that type of credentials in the area.

Senator ABDNOR. A town planner?

Mr. RODGERS. A town planner, yes, sir; or an attorney or a person with skills in fisheries management might be needed to work with a small village in southeastern Alaska. In fact, I saw just such a project in Sitka, Alaska.

Dr. HOING. Sir, I would like to make a contributory comment. There are 23 VISTA volunteers in South Dakota now—20 of those volunteers are locally recruited and only 3 are from out of the State.

One of the problems VISTA often has, especially, in rural areas, is recruiting. It's easier to go to San Francisco, or Boston or places where there is a high concentration of students and recruit.

Senator ABDNOR. If you bring people from San Francisco to an isolated area, don't you think they have to make quite an adjustment? Starting a program and carrying it through takes the support of the people in the particular locality.

Dr. HOING. We let the local sponsoring agency decide what the mix is going to be. If you're an outsider, you're there because you were invited by someone from that local community.

Senator ABDNOR. Let me ask, is the university year for ACTION program really necessary?

Mr. RODGERS. It is our proposal that this program be phased out. When it's weighed against competing priorities, the answer is, "No." The funds contained in this budget request for UYA are necessary to meet the 5-year project commitment we have to existing schools.

OLDER AMERICANS PROJECTS/COMMUNITY TAKEOVER

Senator ABDNOR. I want to jump into the older American volunteer program, if I can. Do you feel that the older American volunteer program is designed to be taken over and continued by community efforts? Are they going to be designed so that the community efforts will take them over?

Mr. RODGERS. No, sir; that's not the way that they are designed. I say, "No," but with a qualifier, because the Federal funding support is augmented increasingly by State and local support

Dr. HOING. There are two ways in which local support is raised. One, RSVP requires a 30-percent match, foster grandparent and senior companion programs require a 10-percent match. That would generate $9 or $10 million.

In addition to that, there are some 38 States that either legislate, appropriate money or through the Government's discretionary funds, contribute money to the three older Americans volunteer programs. That amounts to about $13 million.

So, in addition to the Federal funding, there is about $20 to $25 million that is contributed locally. In two cases, Louisiana and California, the money is actually turned over to the ACTION office and we are responsible for administering the funds.

In other States, it's handled in different ways. There is, however, a sizable contribution locally right now.

I think it is important to point out, though, that were the Federal funds to dry up, there is a good possibility that the local funds would dry up also. I think it's most explicit in Louisiana, where there is a funding formula, and the amount of money that the State of Louisiana puts in bears a direct relationship to what we put in.

If we decrease our funds, their funds automatically go down. If we put in more funds, their funds automatically go up. It's not quite as explicit in other States, but implicitly, that's true.

Senator ABDNOR. You can't say that it's designed to be taken over by community efforts?

Dr. HOING. It would be my judgment that it would be very difficult for the community to take over the entire funding of a project.

Senator ABDNOR. What is the average lifespan of the older American volunteer program projects?

Mr. RODGERS. I will supply that for the record. We have had very little turnover. In fact, I know of only two communities where a foster grandparent project has ceased to exist.

There have been changes in foster grandparent sponsoring organizations for a variety of reasons. But a project, once it's begun in a community, has almost always continued there.

Dr. HOING. There is no specific plan for the community to take over the project and institutionalize it, as in the case of VISTA.

Senator ABDNOR. You said some States play a supporting role in these programs?

Dr. HOING. Yes.

Senator ABDNOR. Is that a percentage?

Dr. HOING. The percentage locally is 30 percent for RSVP and 10 percent for foster grandparents and senior companions.

Those are local matches coming from either public or private sources. One of the things we would like to see happen is a greater contribution on the part of the private sector to these programs than has been evidenced in the past.

If I read the newspapers right lately, we think we have some prominent support for that kind of activity right now. The States are not required, but in 38 cases, the States do appropriate funds.

Mr. RODGERS. That's over and above the required match.

DEINSTITUTIONALIZATION

Senator ABDNOR. Looking at your companion programs—senior companion programs, what have evaluation studies shown about the role of volunteers in the system to avoid long-term institutional services?

Mr. RODGERS. We are participating in a comprehensive long-term care study that covers several Federal agencies coordinated by the Office of Management and Budget. I would like to ask Ms. Suzanne Fahy of ACTION's Older Americans Office to comment on what the study has shown to date, and what the plans are for the future.

Ms. FAHY. I am Suzanne Fahy and I'm the Acting Director of the older American volunteer programs in ACTION.

In regard specifically to your question, we have recent data that indicates quite favorably the impact of the program on the participants who are volunteers.

We have data that indicates that they are gaining in health, life satisfaction, and ability to conduct their activities of daily living.

At this particular stage of the evaluation effort, we have only begun the initial pretest of the impact of the progam on the recipients, the individuals who are receiving the senior companion services.

This is going to be a 3-year effort, this particular effort, in studying the impact of both the volunteers and the clients.

We have some case study information that shows in a case study that we did last year in New Jersey, Jersey City, that the profile—mental and physical health, activities of daily living, and life satisfaction of the clients is very similar to the profile of older persons living in nursing homes—and these clients are all people who are living in their own homes, and are served by senior companions visiting them in their own home, doing a variety of health screening, medication monitoring and personal companionship, letter-writing, and a whole variety of activities.

The profile of those individuals being served is identical to the profile of persons already residing in nursing homes. We feel that there is some indication that the service of the senior companions is enabling those persons to remain in their own home at least for a longer period of time than would be the case without the intervention of the senior companion.

We will be conducting this further test and we will be doing this on a longitudinal basis. We hope by this time next year, we will have more sophisticated data on the impact of the people being served.

COORDINATION WITH OTHER AGENCIES

Senator ABDNOR. Are you eventually going to coordinate your program with some of these other programs?

Ms. FAHY. Yes, we are. We participate in an informal study group with the Office of Management and Budget that was initiated several years ago to take a look at the Federal role in long-term care.

We also participate in the Federal Council on Aging's Task Force on Long-Term Care. In addition, we coordinate with the Administration on Aging and the Department of Health and Human Services efforts in long-term care. They have several demonstrations going on in which we have participated in the initial planning.

At the local level, where the projects and the volunteers are operating, we are again coordinating with the local agencies on aging, with the local health care and social services agencies in the community who are utilizing our volunteers, so that we are coordinating with them in both the planning and service delivery areas.

One of our major concerns is that the volunteer service is not duplicating services that are already going on, either from a public standpoint or even the role of the the family in providing services to older persons. So, at this point in time, we are coordinating both from the Federal level down to the local level in that effort.

Mr. RODGERS. I might point out that the new senior companion project in Sioux Falls is one of the first efforts at comprehensive integration of senior companions in the home health care network.

Senator ABDNOR. That's good. The tendency is toward long-term care?

Mr. RODGERS. Yes; many of us believe that home care is less costly than institutional care, not only to the individual but to their family and friends, and to the taxpayers. I gather that that's not completely demonstrated as yet.

But, having parents in their eighties myself, I know it gives a much better sense of well-being for the people involved to live at home, where they have lived all their life, than living in even the best nursing home. We feel senior companions is part of the answer.

VISTA/MEETING LOCAL NEEDS

Senator ABDNOR. Do you believe communities that have local VISTA programs actually control their own programs?

Mr. RODGERS. Yes, sir.

Senator ABDNOR. It should be that way, that's your intent?

Mr. RODGERS. Yes. sir.

Senator ABDNOR. I represent a rural State with a large native American population. Do you believe current Indian American programs meet their particular needs?

Mr. RODGERS. I suspect I'm not the best person to answer that because I'm not a native American.

Senator ABDNOR. You're the guy at the top who has to accept the responsibility.

Mr. RODGERS. Right. I would like to think that the volunteer programs we have in ACTION are responsive to the needs of the native Americans and the tribal governments, and also to the total populations of the States where those projects are working with Indian groups.

I visited some ACTION programs working with native Americans in North Dakota at Turtle Mountain, and also at an Indian vocational training center just across the river from Bismarck at Mandan. Those projects were effective and responsive to native American needs.

URBAN VERSUS RURAL NEEDS

Senator ABDNOR. I am concerned that sometimes ACTION uses urban models which are not applicable to rural Americans and their problems. As we noted earlier, if you go to San Francisco and sign up someone and bring them out to the Pine Ridge. It takes a most unusual person to make that kind of an adjustment.

Or take someone from that area and put them in the city. Could this cause problems?

Mr. RODGERS. Yes, sir; I think you're right. Sometimes it does not work out.

Senator ABDNOR. Does the current allocation of resources penalize areas of sparse population? Do you have any future plans for improving your rural programs?

Let's take it separately. First, how about the rural areas? Do you feel that they participate equally?

Mr. RODGERS. Yes. The ACTION legislation requires an equitable distribution of resources between rural and urban areas. We have formulas for a distribution of volunteers by Federal region.

We don't allocate down to State and community, because we want our regional and State directors to be able to make that kind of decision; we recognize that it wouldn't do to have all of the projects in the Salt Lake area, for example, and leave none in the Dakotas.

It seems to me that while we probably could be more sensitive to rural areas. I do think we have done a reasonable job, and we are committed to meeting rural needs.

Senator ABDNOR. Did you say by your distribution—do you have——

Mr. RODGERS. There are resource allocation formulas for each of the major ACTION domestic volunteer programs. While they have marginal variations, they are all implemented as follows: About 10 percent of program dollars are allocated equally by Federal regions; about 20 percent are allocated equally by State, with the District of Columbia and Puerto Rico counted as States for this purpose, and the U.S. Virgin Islands, American Samoa, and Guam considered fractions of States. This percentage, however, is aggregated to the regional level. For example, since there are six States in Federal region VIII, the six States share of the 20 percent is allocated to that region; and the remaining 70 percent of program dollars are allocated by the percentage of those being served living in the States within each Federal region. So, if 8 percent of the Nation's poor live in the States comprising region VIII, then 8 percent of the 70 percent of VISTA moneys go to that region.

I say about *x* percent, because we normally reserve 1 percent of program funds for innovative programing at the national level.

We feel this is as equitable a way as any to implement a national program to the regional level and, beyond that, we believe our field staff, working with State and local government and community groups, can best determine where needs exist. This is all done in a way that is very sensitive to the needs of rural America. For example, in our largest program in terms of volunteers, the retired senior volunteer program, 60 percent of all projects are located in rural areas and small towns.

ACTION PROGRAMS IN RURAL AREAS

Senator ABDNOR. Do you take those into consideration? While some of the areas are very sparsely populated. If you look at that particular area on a per capita basis, you will find they have more elderly than many others. Per capita income is unbelievably low. You wonder how they do as well as they do. Are these taken under consideration?

Dr. HOING. Sir, if I may respond also? It is taken into consideration. RSVP, which is the largest of our programs, has 270,000 volunteers. About 60 percent of the volunteers are in rural areas, small town, small community areas, and 40 percent are in urban areas. That means there is a roughly equitable distribution of resources. In the case of South Dakota, there is very heavy rural representaion. I think about 5 percent of older population serve as volunteers against the national average of, say, 1 percent. Per capita income is taken into consideration.

Senator ABDNOR. What are your future plans for improving rural progams? Have you got some thoughts on it?

Mr. RODGERS. We have been working with the Department of Agriculture, and the Community Services Administration on a rural task force.

We started demonstration projects to see how volunteers could more effectively serve in rural areas.

I would just like to cite one of those projects, which I think is illustrative. We have a small demonstration grant with a vocational agricultural high school in Staples, Minn., where farmers are serving as volunteers, training their neighbors in how to adapt farm machinery engines to gasohol.

We have a project with the Center for Rural Affairs in Walthill, Nebr., which is in the northeastern corner of the State, working with farmers in energy conservation and alternative energy utilization.

That project, by the way, is also in South Dakota, Iowa, and Minnesota. We have a project in North Carolina, where teenagers are being trained by the University of North Carolina School of Public Health to become resources and trainers of other young people in basic public health and hygiene in a rural and very poor area of North Carolina.

SUBMITTED QUESTIONS

Senator ABDNOR. Well, thank you, gentlemen, for your appearance here. We have some additional questions. At the time you correct your transcript, please submit the answers to the questions for the record.

Mr. RODGERS. Thank you very much. It's been a pleasure to be here.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SUCCESS OF PROGRAMS

Question: If you were asked to rate the success of your current programs, could you place special emphasis on those which have been successful?

Answer: ACTION believes that each of the voluntary service programs in the Older American Volunteer Programs are making the point that the nation's senior citizens are a valuable resource, ready, willing and able to give of their time and expertise to meet a wide range of human, community and national needs.

In a broader sense, all ACTION volunteers have made an impact on the growing problem of dependency in America. In economic terms, the productive portion of the population is bearing an ever-increasing burden of support for a dependent sector. This cannot continue, particularly when the demographics of aging are considered. Groups of citizens, often sterotyped by age or race or location, are automatically considered dependent on the state. All ACTION volunteers are serving in efforts to make people self reliant and to enable those with special problems, especially youth, the frail elderly and the developmentally and physically disabled, to achieve the greatest possible degree of independent living. ACTION's philosophy is that citizens, working together, can deal with many of their own personal and community needs, moblizing the resources to enable them to remain non-dependent and contributing members of society. This is a continuing task, and one in which ACTION would not claim to have achieved total success. But the support of the principle, the making of the effort, and the many small and not-so-small successes that have been achieved, are collectively, we believe, a major accomplishment of this agency.

Because we believe that people are a resource, not a problem, and because we are committed to efforts which reduce dependency and enhance self-reliance, we are convinced that ACTION's programs are cost-effective.

To illustrate the general points which have been made, we want to share with the Committee a number of specific examples:

VISTA

Milwaukee Associates in Urban Development, Milwaukee, WI, is a VISTA project supporting 30 Volunteers. People served on the project represent the low-income, elderly, Hispanic and youth population. The project focuses on housing, economic development, and cooperatives.

Working with one established credit union and helping the First Neighborhood Credit Union get started in Milwaukee's Lower East Side, three volunteers have helped two neighborhoods build financial institutions where there were none. The First Hub Credit Union in the multi-ethnic West of the River area has grown from 200 to 500 members with VISTA's help. Assets of First

Hub are currently $163,000. The VISTAs have worked to encourage small businesses in the neighborhood to invest in and to use the credit unions. They have also persuaded employers to permit payroll deductions to be made to the credit unions.

A service-sharing or bartering project begun by VISTAs several years ago, called the Work Exchange, now involves over 1,000 people about evenly split between the young and the old. Based on the success of the exchange idea, volunteers are now doing research to find other areas where services are limited. Once these services are identified the volunteers offer technical assistance to the neighborhood in starting a bartering project.

Demonstrations

Volunteer Community Independent Living, Southeast Alabama Rehabilitation Center:

Mr.__________ was self-referred to the ACTION Community Placement Department on November 3, 1980, for placement services. Mr. _____ was injured in an automobile accident approximately thirteen years ago, which left him paralized from the shoulders down. He has been living in a local nursing home for the past ten years with his entire social security income going toward his room and board. Mr. _________ needed accessible housing, attendant care, monthly nursing care, approximately one hundred fifty dollars cash for utility deposits, furniture, including a hospital bed, household items such as linens and dishes, and medical supplies that medicare would not cover. The State of Alabama Independent Living Program was contacted for providing funding of the attendant and twenty-five hours a week was approved for Mr.________'s attendant, paying minimum wage. Mr. ________ interviewed several applicants for a live-in attendant position before deciding on a client in our Vocational Development Program. An apartment complex which was recently built was located offering four completely accessible apartments. These apartments are sponsored under an HUD program.

The rent is determined by income, and medical expenses can be deducted from total rent payment. Transportation was arranged by our facility for Mr. ________ to fill out applications for approval of this program and to view the apartment. It took approximately two weeks for approval on applications to clear. During this time, local clubs and organizations were asked for donations for utility deposits and household items. A hospital bed was furnished by the Houston County Fire Department. Ala-Med, a professional health service, was contacted for Mr. _________'s skilled nurse care. Under this program a registered nurse visits the home and performs functions and treatments ordered by the client's physician.

This service also will furnish medical supplies that medicare will not cover. A moving date was set for December 3, 1980, so that Mr. _______ would receive his entire Social Security check for groceries and a few household items not donated. Mr. __________ is presently living in the apartment with his attendant and functioning independently for the first time in ten years.

Mr.__________ was followed for sixty days by this department, he was assisted with setting up a personal budget and provided with counseling and the development of social skills. His case was closed February 3, 1981, and considered a successful community placement case.

Jean Golson, Independent Living Director

This demonstration received the Program of the Year Award of the Alabama Vocational Evaluation and Work Adjustment Association in 1980 for excellence in program effectiveness.

Domestic Violence

Through a Demonstration Grant to the Domestic Violence Project, Inc. in Ann Arbor, Michigan, ACTION established the first federally funded national and regional technical assistance centers on domestic violence. These centers provide technical assistance and information to local voluntary programs meeting the needs of battered women and other victims of domestic violence. The project has been successfully spun off to the Department of Health and Human Services who will solely fund the regional center in FY 1981. ACTION is currently funding the Volunteer Counseling Service of Rockland County, New York which is conducting an innovative spouse abuse education workshop for abusive spouses. The workshop is designed to stop the battering. The model developed by the project has been recommended by the New York State Governor's Task Force on Domestic Violence as a model program that should be replicated across the state.

Community Energy Project

The Community Energy Project (CEP) is one of ACTION's most successful initiatives. ACTION challenged a small New England city in the fall of 1979 to undertake a short-term, intensive campaign to demonstrate how any community in the country can mobilize its residents to reduce home energy consumption. The success of this pilot project in Fitchburg, Massachusetts led to an interagency agreement between ACTION and the Department of Energy (DOE) which provided $300,000 to establish CEP.

CEP's approach to communities is that their energy conservation efforts must be locally designed in order to maximize the use of their leadership, creativity, and resources. Both private and public institutions must work together to carry out a successful CEP. In Chemung County, New York a steering committee of local public officials, utility representatives, social service and volunteer agency personnel, and civic group leaders undertook a county-wide CEP that resulted in attracting over 2,000 citizens to energy conservation workshops. Workshops were held at worksites, public libraries and schools, and churches and featured displays built by RSVP volunteers. In Salt Lake City, Utah, the city's Office of Citizen Participation joined with a city-wide alliance of community councils to arrange for volunteer door-to-door distribution of information on the energy conservation program. The

Utah Power and Light sent teams of energy experts to conduct low cost/no cost conservation workshops at block club meetings. And in Valley City, North Dakota, local newspapers and radio stations gave daily coverage of the project which included Boy Scouts helping elderly with the weatherization work, local hardware stores providing discounts on weatherstripping and other items, and municipal utility staff conducting workshops. In three of the CEPs that have completed technical evaluation, households that participated in the workshops saved an average of 14% on their utility bills by applying low cost/no cost energy saving techniques in their homes.

Senior Companion Program

In Jersey City, New Jersey, Senior Companions are serving the homebound frail elderly in an effort to prevent premature and inappropriate institutionalization. Over seventy Senior Companions serve clients in their homes. The client profile indicates that 92% are age 65 years and older, 50% are age 83 years and older, 88% are female, and 55% live alone.

82% of the clients are physically impaired to a moderate or more severe degree, 62% are at least moderately impaired in their ability to manage activities of daily living, and 62% have a total impairment level (OAR'S scale) similar to institutionalized older populations.

This profile indicates that Senior Companions are successfully serving a client population that is at extreme risk of instituionalization.

Retired Senior Volunteer Programs

The tremendous flexibility of the Retired Senior Volunteer Program has meant that many helping roles are available for older Americans, depending on physical capacity, experience and interest. For example, the RSVP of Tallapoosa County in Alexander City, Alabama, has over 350 volunteers assigned to 35 public and private non-profit organizations. Their activities include drug abuse counseling, helping people to secure transportation to medical facilities and collecting clothing that can be distributed to low-income residents. During the heat wave last year, the volunteers mobilized to collect and distribute electric fans to homebound elderly people. Thirty volunteers on this project also established a recycling project, in which aluminum, bottled and paper products were recycled and resold at a small profit. Funds realized from this operation are used to support community services such as the rescue squad and the city beautification programs. This project received the 1980 Governor's Environmental Award.

Foster Grandparent Program

The Foster Grandparent Program of Brown County Commission in Aberdeen, South Dakota provides an excellent example of ACTION's efforts to minimize the institutionalization of juvenile offenders.

Through the operation of a juvenile justice demonstration component, The Youth Division Program, all juvenile justice programs are coordinated to meet the special needs of Aberdeen's troubled youth. Foster Grandparents fill a meaningful role in the project's operation. As a result of the one-to-one relationships they develop with the youth, a high profile of trust and respect is developed. This in turn assists the youthful offenders in improving their self-image, self-esteem and self-respect and encourages them to strengthen their emotional and social outlook on life.

OLDER AMERICAN PROJECTS IN SOUTH DAKOTA

Question: Could you tell us a little about one program that is active in South Dakota-the Foster Grandparent Program and the RSVP.

Answer:

Foster Grandparent Program (FGP)

Brown County Commission
FGP of Brown County Commission (Aberdeen)
Total number of volunteers: 65
Federal funding : $196,190.00
Non-federal funding : $ 68,786.00

Activities

Foster Grandparents are assigned to a number of institutions for mentally retarded and visually handicapped children. In general they provide children with assistance in both settings in recreational and daily living activities. Volunteers are also assigned to the Head Start Program where they assist children with personal and eating habits. At the Special Education Unit of a local junior high school (Halgato) one Foster Grandparent works on a one-to-one relationship with a student who is a victim of multiple sclerosis and is confined to a wheelchair. As a result, the student is able to participate in a normal classroom setting.

Retired Senior Volunteer Program (RSVP)

Rapid City Common Council
RSVP of Pennington County (Rapid City)
Total number of volunteers: 400
Federal funding : $28,000.00
Non-federal funding : $12,000.00

Activities

Thirty to 50 Native Americans are serving as RSVP volunteers. They serve in the Minneluzahon Senior Citizens Center where they are involved in administration, nutrition program and recreational activities. They visit Native Americans who have been hospitalized and who may not speak English well.

Question: Would it be practical to combine the Senior Companion Program and the Foster Grandparent Program so that a community could use both?

Answer: While the Foster Grandparent Program (FGP) and Senior Companion Program (SCP) are similar in many ways, the target population served by volunteers in the 2 programs is different. The Foster Grandparents serve children with special needs and the Senior Companions serve adults, primarily older persons, who need assistance in order to achieve and maintain their highest degree of independent living. With limited resources it is sometimes more responsive to local needs to concentrate SCP resources in different geographical or programmatic areas. For this reason we do not advocate combining the programs.

However, ACTION encourages coordination and joint sponsorship whenever feasible and the goals of both programs can be met. In fact, 15 of the SCP's are sponsored by the same organization which sponsors an FGP. Over 50% of the SCP's are jointly sponsored with FGP, RSVP or both.

VISTA -- LOCAL CONTROL

Question: Do you believe that the communities which have local VISTA programs actually control their own programs?

Answer: The philosophy of VISTA's legislation, the criteria for project selection and the project documentation required of applicants all support the concepts of community self-reliance and community control. The mission of the VISTA program requires that low-income people of the community to be served participate in making the decisions that determine the kinds of services offered in their neighborhoods.

Both the VISTA legislation and programming criteria require that sponsors ensure that low-income individuals from the target communities actively participate in the planning, development and implementation of all VISTA projects.

In order to comply with P.L. 93-113, the Domestic Volunteer Service Act of 1973, Section 106, which requires the establishment of a continuing mechanism for meaningful participation of project beneficiaries in planning, developing, and implementing projects, ACTION policy requires that each potential VISTA sponsor establish an advisory group of potential project beneficiaries when the project's own governing board is not comprised of a majority of low-income people.

Community control is also reflected in each proposed project's documentation, the VISTA Project Application, which contains a section on community involvement describing how the low-income people served are included in project planning, development, and implementation.

ACTION PROGRAMS SERVING NATIVE AMERICANS

Question: In representing a rural state with a large Native American population, do you believe current Indian community programs meet their particular needs? I am concerned that sometimes ACTION uses urban models which are not applicable to rural Americans and their problems.

Answer: In the Older American Volunteer Programs, Native Americans actively participate in local projects. Approximately 1,100 Native Americans are RSVP volunteers. In FGP, 1.5% of the Volunteers are Native American and in SCP approximately 1% are Native Americans. We believe that the basic program models are applicable to rural areas and Native American populations. The overriding difference in programming in rural areas is in arranging transportation rather than in the basic program models.

ACTION's experiences with both urban and rural areas have resulted in some differences in the types of projects which are developed in response to communities' needs. For example, in urban areas VISTA volunteers have helped to set up neighborhood consumer buying clubs, developed housing rehabilitation programs, and helped to organize rat control programs. In rural areas they have assisted in expanding the memberships of producer and marketing cooperatives, extending health programs to isolated rural areas, and increasing access of older people in rural areas to transportation and other services.

ACTION understands the difference in the various problems facing rural Native American populations. An example of rural programming involving Native Americans is in Norman, Oklahoma where volunteers are coordinating efforts by the existing resource agencies to make the Indian community aware of available services and how to obtain them. The current plan for continued community involvement includes training of American Indian community members to establish an informal network of "informed" people who can spread information and become contacts within the community. In addition, a permanent resource file and other written materials will be available for community use. It is expected that leadership for this effort within the community will evolve to continue the program as the result of training and contact with the VISTA Volunteers.

ACTION'S RURAL PROGRAMS

Question: Does the current allocation of resources penalize areas of sparse population and do you have future plans for improving your rural programs?

Answer: ACTION's resource allocation policy, which assigns program funds to our ten Federal Regional Offices, provides for a certain percentage of program funds to be divided equally among the states. This ensures that sparsely populated states are not penalized. The balance of the formula relies on the incidence of the target population groups. We have found that this allocation has yielded an equitable distribution.

In light of proposed reductions in the VISTA budget, VISTA will concentrate its resources in rural areas on projects which have clear, cogent plans to "institutionalize" activities begun by volunteers, and to transfer skills from the volunteers to community residents. VISTA currently fields 37% of its projects in rural areas.

In the Retired Senior Volunteer Program approximately 60% of the Volunteers live in rural areas. Approximately 49% of the RSVP's are entirely rural projects. In the Foster Grandparent Program approximately 44% of the projects are rural projects. In the Senior Companion Program approximately 40% of the ACTION projects are rural and 50% of the Action and on-ACTION projects are rural.

Rural programming in Title I, Part C program areas involves 26% of the Mini-Grants, 14% of the Support Services Assistance grants and 22% of the demonstration projects.

BUDGET REDUCTIONS IN DOMESTIC PROGRAMS

Question: It is my understanding that VISTA will receive the largest share of ACTION's proposed budget reductions -- $14.2 million of the $14.6 million targeted for cuts. What is the rationale for such record reductions in the VISTA program, which provides the base of agency efforts, while maintaining the financial level of the demonstration program?

Answer: First of all, it is necessary to correct the impression that VISTA has been sharply reduced in Fiscal Year 1982, while the demonstration programs remain uncut. In fact, the revised appropriation request for the Citizen Participation and Volunteer Demonstration Programs for FY 1982 represents a reduction of over $8 million from the original agency request. The first submission under the Carter Administration was some $11.4 million; the revised request is $3.2 million.

It is true that the revised $3.2 million request is only slightly below the FY 81 level of $3.4 million. However, when one studies the appropriations record of ACTION over the past several years, it is immediately apparent that the Citizen Participation and Volunteer Demonstration Program activity has never been funded at the Administration's request level; in fact, it has been set by continuing resolutions which consistently remained below the requested funding level.

The sharp reduction in the revised FY 82 budget from the original proposal for this activity means the foregoing of plans for 48 new Fixed Income Consumer Counseling projects, which would have provided advice and assistance to retired persons and others living on fixed incomes - advice which seems especially critical in these inflationary times. Over 1,000,000 persons would have been served and almost 50,000 unpaid volunteers, many of them professionals in the fields of financial management, would have been mobilized. Instead, this program will remain at the current level of 12 grants serving fewer than 10,000 persons. This is illustrative of the very real sacrifices and cuts being made in the Citizen Participation and Volunteer Demonstration activity.

The $3.2 million which is requested represents, in the view of the agency, an absolute minimum required if innovative and economic ways of mobilizing citizen volunteers to meet community needs are to be explored. Now, more than ever, this is an important role for the agency to play and the new Director is determined to make ACTION a center of new ideas which solve, rather than add to, the fiscal and other problems confronting America.

Reductions in the VISTA program were based in considerable part on the dynamic nature of the program. Since volunteers serve for only one year, and projects continue only three years, it was possible to reduce the VISTA budget without terminating volunteers and with at least a lesser degree of disruption to the project sponsors than would have been the case in Older Americans Volunteer Programs. As stated, the agency felt that the cut from $11 to $3 million in Citizen Participation and Volunteer Demonstration Programs, which is proportionally the sharpest cut between the Carter and Reagan budgets in any program activity, left the agency with the barebones minimum needed to carry out its mandate for innovative programming involving citizen volunteers.

TYPES OF DEMONSTRATION PROGRAMS

Question: Describe the types of demonstration programs which the agency has sponsored during the past two years. It is my understanding that most of these are one-year projets. What happens to these demonstration programs after that period? Is there any agency follow-through?

Answer: During the past two years, ACTION demonstration projects have focused primarily on the areas of deinstitutionalization, domestic violence, energy, economic development and rural initiatives.

Deinstitutionalization has evolved into the Helping Hand Program, in which Congress took a special interest in 1979. These demonstration projects are testing a variety of methods for using volunteers to help the developmentally and physically disabled to live in situations which are independent of institutions.

Domestic violence projects have focused on providing temporary shelter and counseling services to abused parents and children. These projects are now completed and have resulted in the funding of family violence centers through other agencies and the establishment of a national technical assistance center to help family violence centers establish themselves and improve their delivery of services.

Energy projects have been concerned with using volunteers to promote both increased efficiency in the use of non-renewable energy and the use of renewable energy resources through the adoption of low-cost, locally-built technologies such as greenhouses and, in some communities, combining this technology with the promotion of urban gardens.

Economic development projects have promoted the use of voluntary activity to establish a rural credit union, a rural cooperative, an urban wood-heat cooperative and the organization of urban farmer-to-consumer markets through established community groups.

Rural initiatives in health have included support for health systems, one of which uses volunteers to bring services to rural, homebound persons, a statewide health information system and a third project which uses teenage volunteers to counsel other teenagers.

Rural initiatives in energy are showing how volunteers may train farmers in converting farm vehicles to operate on ethanol alcohol, using Older American volunteers to provide skill-training to teenagers in a commerical-size greenhouse, establishing a 91-unit housing cooperative which includes passive solar applications and a community garden, and promoting the adoption of a variety of homebuilt technologies which use renewable energy to reduce non-renewable energy requirements on small farms.

Finally, a small number of demonstrations are testing ways for volunteers to assist in the operation of a children's museum, provide training and technical assistance support to VISTA volunteers in helping to establish cooperatives and promote community preservation through the identification of abandoned buildings and the conversion of them to tenant-owned buildings.

All of these are two-year projects. The only one-year fundings for FY 1980 have been for a youth-tutoring-youth project, and an oil-buying cooperative. In FY 1981, two other short-term projects, in the form of mini-conferences in preparation for the White House Conference on Aging, have been funded out of Demonstration funds.

With reference to follow-through activities, when these projects are completed, as has been noted above in the area of domestic violence, a determination is made as to whether or not these project models will be replicated through ACTION's operating programs. In addition, technical assistance in the form of "how-to" manuals will be made available to ACTION-sponsored volunteer projects. The Evaluation Division conducts an independent review of projects in order to compare the levels of achievement with the planned objectives of these demonstration projects.

VISTA'S INVOLVEMENT WITH THE ELDERLY

Question: What level and relative proportion of effort has been given in VISTA toward the recruitment of older Americans as volunteers? Has this effort been successful?

Answer: VISTA has always recognized the valuable contribution to be made by older Americans and has attemped over the years to increase the percentage of older Americans in VISTA. Presently there are six seniors (of a total of 71 ACTION recruiters) who specialize in the recruitment of other seniors across the country. They are located in each of the four recruitment service centers so that they may be a resource to the other recruiters in their region. Other efforts include special mailings, experimental projects in Illinois and Ohio that utilize ACTION's older American project directors as a source for referrals, and a special article in the American Association of Retired Persons (AARP) monthy publication encouraging seniors to consider VISTA.

The results are encouraging. Between 1978 and 1980, the percentage of older Americans (60 and older) in VISTA has increased from 12% to 15% and includes 113 volunteers who are over 70.

Question: What proportion of VISTA projects specfically address the needs of older Americans?

Answer: An October 1980 survey revealed that over one-quarter of the total number of VISTA Volunteers are serving people 60 years of age and older.

In addition, VISTA and ACTION's Older American Volunteer Programs have coordinated on a variety of issues, such as energy conservation, education, housing assistance and counseling to seniors on fixed or no income. Approximately 200 VISTAs from 75 projects are involved in common programming efforts with Older American Volunteer Programs.

VISTA, in conjuction with the Older American Volunteer Programs, has also implemented two White House Conference on Aging Mini-Conferences: Self-Help and Senior Advocacy, and the Rights of the Institutionalized Elderly and the Role of Volunteers.

VISTA BUDGET REDUCTION

Question: What problems do you foresee with the proposed budget reductions which will bring VISTA, in a single year, from the highest number of volunteers in the agency's history to the lowest number?

Answer: The proposed reduction in the VISTA budget from the current operating level of $34,011,000 in fiscal year 1981 to $20,744,000 in fiscal year 1982 will mean a reduction of 41% in the number of volunteers and a reduction of 42% in the number of projects serving low-income communities.

The proposed cutbacks will mean not funding most of the 945 currently pending requests for new VISTA projects as well as many requests for continued support from existing VISTA projects which are attempting to "institutionalize" activites begun by Volunteers. Rural projects are likely to feel the cut most severely since a reduction in project support funds will greatly limit volunteer job-related transportation reimbursements, a support cost badly needed on rural projects. To save on recruitment costs, placement of nationally recruited Volunteers by ACTION will also be sharply curtailed which will impact on the assignment of volunteers with scarce skills to isolated rural areas. Both preservice and in-service training will be reduced slightly to produce additional savings.

INSPECTOR GENERAL DISMISSAL

Effective January 20, 1981, President Reagan dismissed 14 Inspectors General government-wide, including the Acting Inspector General.

Question: What impact has the dismissal of your Inspector General had on on-going investigations, new projects that are being considered, and any follow-up examinations?

Answer: The 14 Inspectors General that President Reagan dismissed were incumbents in positions created under the Inspector General Act of 1978. The ACTION IG was not among those dismissed by the President.

As with other noncareer employees, the ACTION IG submitted an offer of resignation, which was accepted. The former IG resigned effective March 7, 1981. However, the Deputy IG was immediately named Acting IG. The President's dismissal of the 14 IG's had no impact upon the Agency. Nor has the resignation of the ACTION IG had an adverse impact on on-going investigations, new projects that are now being considered, or follow-up examinations, other than the workload created by the vacancy.

Question: Has the dismissed inspector general continued to participate in any on-going investigations, as the President's dismissal order permitted; and if so, which ones?

Answer: As noted in the previous question, the former ACTION IG was not among those dismissed by the President. Since his resignation, the former IG has not been involved in any on-going investigation. The former Inspector General was not actively participating in any on-going investigations at the time of his resignation.

Question: Who is being considered for the position of permanent Inspector General, and what selection process is being used?

Answer: Currently no one is being considered for this position. The position is vacant and OPM has directed that it be converted from a non-career appointment to a Senior Executive Service career reserve position. The selection process will be a competitive selection which will be reviewed and approved by OPM.

Question: How long does ACTION anticipate a vacancy in the permanent Inspector General's position?

Answer: The vacancy announcement initiating the competitive process will be posted shortly. The position is a high priority for the agency and should be filled within the next three months.

EVALUATION

Question: How much, and what portion of your budget, is spent on evaluations of ACTION programs?

Answer: Close to one percent (1%) of the Agency's budget has been designated for evaluation work in recent years. Funding for evaluations in FY 1980 was $520,000; in FY 1981 is $1,170,000; and in FY 1982 will be $1,050,000.

Question: Are the evaluations done primarily in-house or are they contracted out?

Answer: FY 1980 marked a departure from an all in-house evaluation effort. An Indefinte Quantity Contract (IQC) system, new to ACTION, was established. The first work to be performed using the IQC process is now underway. ACTION anticipates that using the IQC process, 34% of its evaluation activity will be contracted in FY 1981 and 60% in FY 1982. The IQC allows for the management of a greater workload using the current number or fewer internal personnel and it encourages the sharing of innovative ideas.

Question: What are some of the improvements in ACTION programs that have resulted from evaluations, during the past year?

Answer: The following improvements in ACTION's programs have come about as a direct result of recent evaluations:

-- VISTA training standards have been developed by headquarters and field staff as recommended.

-- The Juvenile Offenders program was expanded from 1 to 2 demonstration projects having 3 distinct sites because of the very positive findings on impact on the participants.

-- Additional research models to explore related research questions were recommended in the SCP Impact Study - Phase One report. SCP is exploring ways to include new research models within existing projects.

-- Based on evaluation results, FGP project components in child abuse, juvenile justice and delinquency prevention are being replicated and expanded with consideration of more resources for supervisors of volunteers.

-- Alternative service-learning models are being explored based on the findings of the 1979 UYA evaluation released in 1980.

-- Many project directors have begun to use the Self-Evaluation Guide and are willing participants in its eventual revision based on use.

-- FICC was expanded with 12 additional grants under more clearly stated guidelines were developed based on evaluation recommendations.

REAGAN REVISIONS

Question: What are the changes between your original fiscal 1982 budget request, and your revised request under the Reagan Administration?

Answer:	FY 1982 Request (Jan. 1981)	FY 1982 Revised Request	Increase/ Decrease
Volunteers in Service to America (VISTA)	$ 46,396,000	$ 22,574,000	-$23,822,000
VISTA	42,896,000	20,744,000	- 22,152,000
National Center for Service-Learning	3,500,000	1,830,000	- 1,670,000
Citizen Participation and Volunteer Demon.	$ 11,447,000	$ 3,189,000	-$ 8,258,000
Voluntary Citizen Participation	4,255,000	1,245,000	- 3,010,000
Volunteer Demonstration Programs	4,192,000	1,563,000	- 2,629,000
Fixed Income Consumer Counseling	3,000,000	381,000	- 2,619,000
Older American Volunteer Programs	$ 94,669,000	$ 89,471,000	-$ 5,198,000
Retired Senior Volun. Program (RSVP)	28,691,000	28,691,000	---
Foster Grandparent Program (FGP)	49,670,000	49,670,000	---
Senior Companion Program (SCP)	16,308,000	11,110,000	- 5,198,000
Program Support	$ 33,009,000	$ 30,091,000	-$ 2,918,000
Domestic Operations	18,280,000	17,317,000	- 963,000
Jointly Supported Services	14,729,000	12,774,000	- 1,955,000
Total Request	$185,521,000	$145,325,000	-$40,196,000

The revised FY 1982 request for VISTA is based on a reduction of 2,454 volunteer service years and 426 projects from the original request. In the request for the National Center for Service Learning, the revised level represents a lower level of training, technical assistance, and demonstration efforts. We will be able to award 394 fewer grants in our Citizen Participation and Volunteer Demonstration Projects and 20 fewer Older American Volunteer Program grants in SCP. The support request represents a reduction of 31 permanent staff positions and cutbacks in most other expenditures except Standard Level User Charges (GSA building rents) and similar items with uncontrollable cost increases.

MISMANAGEMENT AND INEFFICIENCY

In a February 2 article in the Washington Post, the Inspector General dismissed by the Administration contended that while waste and fraud are prevalent, "Mismanagement and inefficiency do the greatest damage to the taxpayer's wallet."

Question: Who in ACTION is held accountable for correcting the problems uncovered?

Answer: The ultimate accountability, of course, rests with the Director of the Agency. However, the agency's Assistant Director for Compliance serves as Inspector General and in that role is responsible for initiating appropriate audits and investigations, reporting the findings to the responsible office or program director and the Director of ACTION, and following up to make sure that necessary corrective actions are taken.

Question: What specific cases of fraud and abuse have been uncovered by the Inspector General in the last year?

Answer: The majority of audits and investigations conducted by the ACTION Inspector General result in findings of mismanagement and inefficiencies, not actual or perceived fraud and abuse.

Certain of the audits and investigations conducted last fiscal year did, however, involve findings of either potential fraud or actual abuse. The following specific cases are presented in summary:

-- An audit in Region V found inadequate controls over Government Travel Vouchers, resulting in a loss of government funds. ACTION classifies this case as a mismanagement.

-- An audit of a Special Grant for the City of Atlanta found insufficient supporting documents for disbursements of over one-half the value of the subgrant. ACTION classifies this case as mismanagement of funds, but no actual fraud involved.

-- An audit of a Foster Grandparent Program in South Dakota found improper accounting and inadequate record keeping, as well as poor program and administrative management. The audit resulted in the grant's not being refunded.

-- An audit of a Retired Senior Volunteer Program and Senior Companion Program in Colorado found ACTION funds being used for costs unrelated to ACTION programs, and inadequate accounting systems. The audit resulted in the grant's not being refunded.

-- An investigation conducted in Nashville, Tennessee, found that an ACTION employee was using a GSA vehicle for personal use.

-- An investigation conducted in Washington, D. C. found that ACTION employees were using ACTION franked envelopes to send a religious chain letter to other ACTION employees.

Question: Have you demoted or fired program managers for inattention and negligence to waste and fraud issues?

Answer: No program managers have been demoted or fired as a result of inattention and negligence to waste and fraud issues.

Certain program managers have been demoted and some relieved of their duties due to poor management practices in the performance of their duties. Reports of audits and investigations relating to these program managers' areas of responsibility, of course, are used in overall performance appraisals.

Question: Have you discontinued sponsorships for inattention and negligence to waste and fraud issues?

Answer: Over the years, sponsorships have been discontinued for a variety of reasons, some of which are related to waste and fraud.

Reports of audits and investigations relating to sponsor's programs are used as one of the measurements in determining whether to continue or discontinue a contract or grant.

Last year, at least three sponsorships were discontinued as a direct result of poor fiscal management:

-- A Foster Grandparent Grant in South Dakota was not refunded as a result of audits disclosing inadequate recordkeeping and poor program and administrative management. One of the reasons for not refunding the grant was the sponsor's payment of stipends to Foster Grandparents who were not performing authorized volunteer services.

-- A Retired Senior Volunteer Program grant in Colorado was not refunded as a result of an audit disclosing the use of ACTION funds for costs unrelated to ACTION programs, and for inadequate accounting systems.

-- A combined Senior Companion/Foster Grandparent grant in Connecticut was terminated when the sponsor was found to be using grant funds for unauthorized purposes.

NONCOMPETITIVE AWARDS

Question: Please provide, for the record, a breakdown of non-competitive grants and awards to nationally based associations in the past year.

Answer: VISTA awarded continuations of non-competitive grants to the following nationally based associations during fiscal year 1980:

-- Federation of Southern Cooperatives	$ 641,759.77
-- National Center for Urban Ethnic Affairs	$ 349,210.00
-- Public Interest Research	$ 269,883.72
-- National Association of Neighborhoods	$ 121,841.00
-- National Training and Information Center	$ 189,657.19
-- National Assn. of Farmworkers Organization	$ 287,315.48
-- The Youth Project	$ 426,084.15
-- Housing Assistance Council	$ 138,565.00
-- National Citizens Coalition for Nursing Home Reform	$ 306,671.41
-- Coalition of Indian Controlled School Boards	$ 500.00
-- National Conference of Black Mayors	$ 257,817.00
-- Clearing House for Community Based Free Standing Educational Institutes	$ 198,431.00
TOTAL	$3,187,735.72

Questions: To the extent possible, please provide the same information thus far for FY '81, and your budget plan for fiscal 1982.

Answer: VISTA budget plans for FY 1982 do not include any funding for non-competitive awards to nationally based associations. In FY 1981, the following nationally based associations were awarded continuations of or supplements to non-competitive grants:

-- National Center for Urban Ethnic Affairs (Supplement)	$ 27,231.00
-- Public Interest Research (Supplement)	$ 48,650.00
-- National Assn. of Neighborhoods (Con't.)	$ 249,691.00
-- National Training and Information Center (Con't.)	$ 359,984.00
-- The Youth Project (Con't.)	$ 405,534.00
-- Housing Assistance Council (Supplement)	$ 23,489.00
(Con't.)	$ 184,850.00
-- National Citizens Coalition for Nursing Home Reform (Supplement)	$ 26,750.00
(Con't.)	$ 353,534.00

-- Coalition of Indian Controlled School Boards (Con't.)	$ 223,782.00
-- Clearing House for Community Based Free Standing Educational Institutes (Con't.)	$ 202,894.00
TOTAL	$2,106,389.00

Question: How much is ACTION spending in noncompetitive awards for activities of various nationally based associations?

Answer: ACTION will make no new national grant awards in FY 1981 or 1982. In FY 1981, continuation awards to organizations having an existing national grant program will be made to 7 organizations. The total amount expected to be awarded is $1,980,269, for the support of an estimated 218 volunteers. In addition, $126,120 will be awarded as suplements to 4 existing grants.

The awards are for the direct support of continuing activities of the VISTA volunteers assigned to these organizations, and not for the general purposes of the organizations themselves. The assignments of the volunteers are all poverty-related, and conform to all other requirements of the Domestic Volunteer Service Act. Sponsors may not divert either grant funds or the efforts of volunteers to purposes not specifically identified in the grant. In point of fact, sponsor organizations actually contribute substantial sums of non-federal funds to the support of the volunteers' work in combatting poverty, both in direct support of the volunteers and in providing necessary indirect administrative support which is not provided from federal funds. While competition is an important consideration in initially deciding to support a project, second and third year continuations are not competed because most projects have a planned three year life-span to achieve maximum effect.

Question: Do you believe it is appropriate for ACTION to award noncompetitive grants to organizations which lobby the Administration and Congress?

Answer: We believe that VISTA grants, particularly those which are awarded for volunteers to serve in a number of communities, should always be awarded competitively, and ACTION has established procedures to achieve this result. However, grants for Older American Volunteer programs are generally awarded noncompetitively, and are renewed annually. In the case of these OAVP grants, we believe that the approach taken by the Congress in Section 403 of the Domestic Volunteer Service Act, stating that federal funds may not be used for attempts to influence legislative actions, is the correct one. We do not think that a blanket prohibition on the awarding of grants to organizations which use their own funds or personnel, derived from private sources, to attempt to influence the legislative process is appropriate. There are several reasons for our conclusions:

-- We believe that the use of federal funds to influence the legislative process at any level is inappropriate. This approach follows closely the approach which has been used for many years in 18 U.S.C. §1913, and in Section 403 of the Domestic Volunteer Service Act.

-- A requirement that recipients of ACTION funds forego any contact with or use of private resources to influence their Congressional representatives or the Administration on matters unrelated to the federal programs they administer would have a chilling effect on the constitutionally protected rights of freedom of speech and petition.

-- Such a prohibition would be difficult and expensive to enforce. It would necessarily involve extension of the federal audit authority far beyond the bounds of federal grants into the private financial affairs of each grantee organization. We think it is important not to extend federal intrusion into the private sector's private records beyond that which is absolutely necessary to protect the federal interest.

Question: What safeguards do you have to avoid conflict of interest situations involving grants to organizations engaged in lobbying or providing political support?

Answer: The agency has published regulations prohibiting political activity or lobbying by volunteers or staff in situations where such activity could involve a violation of Section 403 or Section 415(b) of the Domestic Volunteer Service Act of 1973. The regulation also prohibits the award of a grant, or assignment of volunteers, to an organization which, as a principal purpose or activity, engages in partisan or nonpartisan electoral activity, voter registration activity, or transportation of voters to the polls.

Over the past year, the agency has conducted extensive training for its staff in the prohibitions against providing support to political or lobbying activity contained in Section 403 of the Domestic Volunteer Service Act. Employees in Regional and State offices are, as a result, aware of the problems involved in his area, and alert to preventing situations involving political or lobbying activities from occurring.

The staffs of grantee organizations have also received training by ACTION staff in that area, and all full-time volunteers receive such training at the time they enter service. Applications for grants, or for volunteers, are reviewed carefully within the agency to make sure that political and lobbying activities are not being funded.

Question: How many contracts were awarded at the direction of the Director of ACTION or other top ACTION management during fiscal year 1980? Could you provide a list of such contracts for the record?

Answer: In accordance with applicable laws and regulations, no contracts were awarded at the sole direction of the director or other top management officials.

Question: How many requests for noncompetitive contracts disapproved by ACTION's noncompetitive review board during fiscal year 1980 were subsequently awarded? Could you provide a list of any such contracts for the record?

Answer: No requests for noncompetitive contracts disapproved by ACTION's noncompetitive review board during fiscal year 1980 were subsequently awarded.

Question: Has ACTION established any new procedures to insure that more of its contracts are awarded competitively?

Answer: To insure that more of its contracts are awarded competitively, ACTION seeks to identify a multitude of sources by publicizing its intent to award a sole source contract in the *Commerce Business Daily* prior to contract award. This procedure was initiated by ACTION several years ago in an effort to assure the widest range of competition for our contract awards.

TRAVEL

Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by government employees. A partial report recently revealed that government travel spending runs about $3 billion a year.

Question: How many annual trips per capita are made per year by ACTION employees?

Answer: The average number of trips made by ACTION employees during FY 1979, the last year for which such information is available, was estimated at 7.4 per employee.

Question: How does ACTION's average length of trip, in days, compare to the government-wide average of 8.8?

Answer: The average trip by ACTION employees lasted 3.8 days.

Question: What is the average cost of trips made by ACTON employees?

Answer: The total travel costs for trips by staff employees was $1,856,000, an average per capita cost of $1,633 per employee per year.

Question: What is the actual average cost per trip? The government-wide average is $176.

Answer: Trips by staff employees cost an average of $221.

Question: What percentage of your trips accounts for: operational or managerial activities; travel for training; informational meetings; conferences; speeches or presentations; special mission travel; relocation of employees; unknown reasons (blanket authority to employees)?

Answer: For FY 1979, ACTION travel was classified as follows: 73% for operational or managerial activities; 2% for training; 8% for informational meetings; 14% for conferences; 1% for speeches or presentations; 1% for special mission travel; and 1% for relocation of employees. None of the travel could be characterized as "unknown reasons."

Question: Does ACTION have an Office of Travel Management?

Answer: The Transportation Branch of the Administrative Services Division of the Office of Administration and Finance in ACTION headquarters sets travel policies and is available to assist employees in performing official travel.

Question: Does each program have an Office of Travel Management? Can these be eliminated without impairing your efficiency?

Answer: The only office charged with travel management functions is the Transportation Branch of the Office of Administration and Finance. Program offices do not have such organizational elements.

Question: Can you prepare for the record a tabulation of travel expenses for all recipients of ACTION grants and contracts?

Answer: This task is currently in the process of being completed. ACTION will provide this tabulation of travel expenses to the committee as soon as possible.

TELECOMMUNICATIONS IN LIEU OF TRAVEL

A great deal of information now obtained by travel could be obtained more cheaply through other means.

Question: What has ACTION done to encourage the use of conference calls, the exchange of videos, the use of telecopiers, and exchange of information by mail, as alternatives to travel?

Answer: As an alternative to travel ACTION has encouraged its staff to use FTS conference calls to conduct business that otherwise would have required travel. For example, in FY 1980, 75% of the quarterly budget reviews with the regional recruitment service centers were conducted via FTS conference calls.

Question: Are the same travel savings being encouraged for ACTION grantees and contractors?

Answer: Yes, ACTION's grantees and contractors are being encouraged to reduce their travel expenditures and make greater use of telecommunications.

CONTRACTS

Question: How much of your contract costs were spent in the last month of fiscal 1980? Why?

Answer: 10.7% of the Agency's contract cost was obligated during the last month of FY 1980. This percentage represents a little more than one-twelfth of the annual figure and represents the agency's commitment to a procurement cycle which spreads awards as evenly as possible over the year and avoids a glut of end-of-year spending.

Question: How much of that was awarded for noncompetitive contracts?

Answer: Of this $1,305,000, 73% ($965,000) was awarded noncompetitively. More specifically, 28% represents noncompetitive awards to minority firms under SBA's 8(a) program, 18% were noncompetitive amendments or funding actions of contracts initially awarded competitively, 10% represents noncompetitive amendments to existing noncompetitive contracts, and 17% represents new noncompetitive contract awards. Of the new noncompetitive awards, 76% were sole source contracts awarded in foreign countries.

Question: How do you define competitive and noncompetitive awards?

Answer: When at least two responsible offerors submit offers which are responsive to the Government's solicitation, the resultant contract is considered a competitive award. Any other contracts are considered noncompetitive awards.

Question: Are there ever instances where only one application was received and you still considered the award to be competitive?

Answer: No. Such awards would be considered non-competitive.

CONSULTANTS

Question: What percentage of ACTION's budget pays for consultants?

Answer: The percentage of ACTION's budget that pays for consultants is 0.9%.

Question: What percentage of consultants are contracted due to insufficient in-house expertise? In-house capability?

Answer: The percentage of consultant contracts awarded due to insufficient in-house expertise is 36% and due to insufficient in-house capability, 64%.

Question: What would be the consequence of freezing all consulting contracts pending a full review of their usefulness?

Answer: ACTION would have to delay or eliminate some program evaluations.

Question: Do you have any plans to implement delay-of-drawdown letters of credit financing, or checks-paid financing, for consultant contracts?

Answer: No, the Agency has no such plans.

Question: How much money in interest not earned will ACTION lose during fiscal 1981 and 1982 as a result of not using these finance methods?

Answer: None, because major contracts are cost type with contractors paid on a reimbursement basis.

EFFICIENCY

Question: What identifiable actions have been taken by ACTION to bring about greater efficiency in the administration of ACTION programs?

Answer: Workload studies of each office are currently being conducted so that personnel within the Agency can be most efficiently utilized. The accounting, payroll, and medical payments system have recently acquired remote terminal entry capability. A centralized receiving facility has recently been established.

Question: What reductions in the budget request can be attributed to existing or anticipated increased efficiency in program administration?

Answer: ACTION has successfully undertaken several efforts to increase efficiency. These efforts include the implementation of remote terminal entry of accounting and payroll data in the regions, the improvement of cash management procedures, and the study of workload distribution. These efficiencies have allowed us to do a more thorough job with fewer people. To that extent, a portion of the decrease in personnel compensation and benefits can probably be attributed to increased efficiency in program administration. However, it must be pointed out that the exact proportion of budget reductions directly attributed to increased efficiency has never been determined.

Question: Aside from budgetary reductions, what actions have been taken to improve the administration and delivery of ACTION programs?

Answer: The accounting, payroll and medical payment systems have recently been improved to give the Agency's regional offices a remote terminal entry capability. A computer security package has recently been purchased and implemented. New procedures for cash management have been introduced.

JOINT SPONSORSHIP

Joint sponsorship refers to situations in which Older American Volunteer Program sponsors receive authority and funding to administer more than one volunteer program, for example the Senior Companion and Foster Grandparents Programs.

Question: How many Older American Volunteer Programs have joint sponsorship status?

Answer: There currently are 70 sponsoring organizations which administer more than one Older American Volunteer Program. In 39 communities it is Retired Senior Volunteer Program (RSVP)/Foster Grandparent Program (FGP), 15 for Senior Companion Program (SCP)/FGP, 13 for SCP/RSVP, and 4 instances where there is a common sponsor for RSVP/SCP/FGP. Over 50% of SCP's, 28% of FGP's and 8% of the RSVP's are jointly sponsored.

Question: During this past year, ACTION indicated that it would conduct a study on the advantages and disadvantages of joint sponsorship of these programs. What were your conclusions?

Answer: In May, 1980, ACTION published its study on the advantages and disadvantages of joint sponsorship of the Older American Volunteer Programs. The report was requested by and submitted to the Subcommittee on Child and Human Development of the Committee on Labor and Human Resources, U. S. Senate.

The conclusion was that there are more advantages than disadvantages to joint sponsorship and that these are more programmatic than fiscal. Project sponsors are able to recruit more effectively, offer more options to volunteers and better coordinate with other volunteer and community service organizations. In some instances, it is possible to provide common in-service training and the most appropriate type of service to clients. Administrative costs were found to be similar to those of separately sponsored projects with potential minimal savings in some staffing patterns and in recruitment costs.

Question: Do any Older American Volunteer Program sponsors have joint sponsorship with Administration on Aging programs?

Answer: Many sponsors of Older American Volunteer Programs also sponsor Administration on Aging (AOA) programs, particularly Title III Nutrition and Social Services programs of the Older Americans Act. These sponsors predominantly are Area Agencies on Aging but also include some State Offices on Aging and Community Action Agencies which serve as Area Agencies on Aging (AAA).

In the Senior Companion Program (SCP), 4 State Units on Aging and 6 AAAs serve as sponsors for local projects. Thus, 16% of the SCPs are sponsored by AOA sponsors. Fifty-one AAAs are community sponsors of Retired Senior Volunteer Program (RSVP) projects. In addition, 43 local councils on aging with primary funding through the Older Americans Act also serve as sponsors of RSVP projects. In the Foster Grandparent Program (FGP), 6 State Units on Aging and 19 AAAs sponsor projects.

OLDER AMERICAN VOLUNTEER PROGRAMS/COMMUNITY TAKE-OVER

Question: Are Older American Volunteer Programs designed to be taken over and continued by community efforts?

Answer: No. The legislative intent is clearly that the Older American Volunteer Programs projects continue to receive Federal support indefinitely. However, there is a requirment for local match-funding for the Foster Grandparent Program, the Senior Companion Program and the Retired Senior Volunteer Program.

Further, communities are encouraged to increase local support to expand the capability of the program. Many state governments have done so to the tune of $13 million this year. We are exploring ways that private companies can do so as well.

There is no intent, and indeed there is Congressional guidance to the contrary, concerning total local assumption of funding responsibility.

Question: Are there termination dates established for Older American Volunteer Program projects?

Answer: There is no intent that the Retired Senior Volunteer Program, Foster Grandparent Program or Senior Companion Program be totally institutionalized within the community without some ACTION support. Individual Older American Volunteer Programs projects are usually funded for a one year period, renewable if the project has complied with ACTION regulations and policies. Individual sponsoring agencies sometimes terminate sponsorship and ACTION assists the communities and projects in locating another organization to assume sponsorship.

Question: What is the average lifespan of an OAVP project?

Answer: Virtually all Older American Volunteer Programs projects have operated since they were initially funded by ACTION. Occasionally individual organizations sponsoring local projects have changed; however, the local project has continued to operate in the same locality.

Question: What is the time cycle for OAVP grants?

Answer: The Older American Volunteer Programs projects are usually funded for a one year period, renewable each year when in compliance with ACTION regulations and policies. Grant applications for new projects are accepted at any time and will be retained in ACTION offices. When funds are available for new projects, applications are reviewed.

Question: What part do the States play in supporting OAVP programs?

Answer: In FY 1980 the Older American Volunteer Programs (OAVP) received over $13 million in funding from 38 states. These funds were used to expand existing programs, and in some states, to start new and totally state supported projects.

In most states, funding resulted from the efforts of OAVP project directors. It has taken two to three years of effort in most states before state funding was a reality.

States funds are allocated in a variety of ways. In most states the legislature passes an authorization and appropriation. A state agency (i.e. Department of Mental Health, Office of Aging) is then designated to monitor the state funds. In California, after the legislature passes the appropriation, the state gives the money to ACTION and ACTION distributes the funds to the local projects. In Louisiana, the state allocation is a formula based on the Federal amounts. The Foster Grandparent Program (FGP), and the Senior Companion Program (SCP) receives $ .10 per federal dollar and the Retired Senior Volunteer Program receives $ .30 per federal dollar.

The introduction of state funding to local OAVP projects allows the projects to recruit additional volunteers and provide additional service. State funding can also help support the administrative costs of a project, although in some states administrative costs are not allowable.

Problems related to state funding occur when a state decides to curtail or eliminate support. Kentucky recently eliminated the state SCP funding. The FGP project was maintained at the FY 1980 level and hopes not to be cut in FY 1982. The SCP project had to lay off volunteers and their recipients are not being served. Consequently, many have been institutionalized. In Michigan, the state was contemplating cuts in their FGP funding. The project directors turned to ACTION/OAVP to provide the $300,000 to $500,000 needed to keep the projects at their combined federal and state level.

OLDER AMERICAN VOLUNTEER PROGRAMS (OAVP)

In the past, there have been discussions about the advantages and disadvantages of transferring administrative responsibility for the Older American Volunteer Programs from ACTION to the Administration on Aging.

Question: Do you think that these programs could more efficiently be administered if they were located within the Administration on Aging?

Answer: ACTION is the Federal Agency for voluntarism. It is experienced in providing needed guidance and support to volunteer programs in each state. Older American Volunteer Programs (OAVP) have prospered and grown under the auspices of ACTION and have gained a national reputation for serving older Americans and their communities well.

Local directors and sponsors of the Foster Grandparent Programs, the Retired Senior Volunteer Program and the Senior Companion Programs have uniformly resisted a transfer to the Administration on Aging (AOA) largely for the following reasons:

-- ACTION has decentralized decision making,
-- ACTION promotes using the strengths of older people, and
-- ACTION has a less bureaucratic system.

If OAVP is funded through area AOA, volunteer programs would:

-- Compete with Area Agency on Aging-(AAA) administered programs for funding,
-- Have to give first priority to serving the needs of AAA administered programs, rather than the broader needs of the community and the kinds of service preferred by the senior volunteers.

Question: Are the funds you now receive going unnecessarily to administrative costs at the expense of service delivery activities?

Answer: No. ACTION's funding policies reflect the intent to operate low cost volunteer programs. Relative to the Foster Grandparent Program and Senior Companion Program, federal funds are awarded by ACTION to pay up to 90% of the approved project budget. Ten per cent or more of the total approved budget must be provided locally or through the sponsor in the form of cash or in-kind contributions.

ACTION's policies also provide that an amount equivalent to 90% of the federal share must go to Foster Grandparent and Senior Companions in the form of direct benefits. Such direct benefits include stipends, volunteer insurance, transportation, meals, physical examinations, and, where necessary, uniforms or smocks.

In the Retired Senior Volunteer Program (RSVP), approximately 75% to 80% of funds necessarily go to pay staff and project costs other than volunteer expenses, such as transportation and insurance. Ten years ago, before RSVP promoted the concept of meeting out-of-pocket expenses of volunteers, the total budget for volunteer bureaus in communities, for example, was often used for administrative costs. Paid staff is necessary for sound development and continuity of programs and volunteer support. It might be well to point out that ACTION's average RSVP grant is $30,000 and that this represents on the average 60% of the budget, since community support is an essential feature of RSVP's operation.

Question: How are the Older American Volunteer Programs coordinated with those of the Administration on Aging?

Answer: At the Federal level, ACTION has written agreements with the Administration on Aging (AOA) regarding cooperation and coordination. ACTION participates on several Federal Council on Aging task forces and work groups which foster information exchange and working relationships with the various offices within AOA.

At the state level, all Older American Volunteer Programs (OAVP) grant applications for new projects are submitted to the State Units on Aging for their review and comment. Each ACTION state office has a written memorandum of agreement with the appropriate State Unit on Aging which outlines working relationships and may include ACTION staff participation on State Unit on Aging committees and task forces. Six State Units on Aging sponsor Foster Grandparent Program (FGP) projects and 4 sponsor Senior Companion Program (SCP) projects. At the local level, Area Agencies on Aging (AAA) sponsor 51 Retired Senior Volunteer Program (RSVP) projects, 19 FGP projects and 6 SCP projects. In addition, many OAVP project staff serve on AAA boards and AAA staff serve on OAVP advisory councils. Many thousands of RSVP volunteers serve in AOA funded programs, primarily Title III nutrition and social service programs.

OAVP APPLICANTS

Question: How many new applicants apply under the Older American Volunteer Programs each year?

Answer: Because funding for new projects in Older American Volunteer Program (OAVP) has been very limited, ACTION has not actively solicited applications from potential sponsors. ACTION state offices report an average of one to five completed grant applications on hand for Retired Senior Volunteer Program (RSVP), Foster Grandparent Program (FGP), and Senior Companion Program (SCP), yielding an estimated total of 75-100 applications for each program. ACTION state offices report a range of 3 to 40 documented letters of interest or intent to apply for an FGP, RSVP or SCP grant.

In March 1980, ACTION had received 258 formal requests and 83 informal (phone and personal contact) requests to become SCP sponsors. During the past year additional requests have been received. Currently, there are 125 RSVP grant applications and 550 written inquiries for RSVP nationally.

At the local project level fully operational FGPs and SCPs report an average of 15-20 eligible persons on waiting lists to become volunteers. Many projects limit their waiting lists in order to minimize the expectations of older persons who may not be placed for several years. In RSVP most projects have limited or no recruitment efforts and many projects are unable to accept new volunteers who need transportation assistance.

Question: What is the extent of demand for participation under these programs?

Answer: Currently there are 34 million persons aged sixty and over in the United States. Each year this is a net gain of 584,000 people in this age category. According to a Louis Harris survey conducted for the National Council on Aging in 1975 the national potential of older persons willing to make themselves available for a wide variety of volunteer service is over 9 million. The Retired Senior Volunteer Program (RSVP) is currently serving 3% of this estimated group and is serving 26% of the counties in the United States.

Approximately 4.5 - 5 million older persons have incomes below the poverty guidelines. We estimate that approximately 900,000 - 1,000,000 older, low income persons would meet eligibility requirements and be willing to serve as Foster Grandparents or Senior Companions. Assuming an equal division between the two programs, approximately 4% of the potential Foster Grandparent Programs are serving and less than 1% of potential Senior Companion Programs are serving. Foster Grandparents are serving in 15% of the counties and Senior Companions are serving in 7% of the counties.

We estimate that a potential population of 1,200,000 children with special needs could benefit from service by Foster Grandparents. Approximately 3,500,000 older persons who are moderately or generally impaired could benefit from the SCP. Approximately 4% of the child population and 0.5% of the adult population are currently being served by FGP and SCP.

SENIOR COMPANION PROGRAM

Question: What have evaluation studies of the Senior Companion Program shown about the role of volunteers in assisting older persons to avoid institutional long-term care service?

Answer: ACTION is involved in a longitudinal evaluation over four years to test this question. The results from the first year indicate that Senior Companions fear that they would be institutionalized if they were not part of the Senior Companion Program (SCP). Also, the results to date show that SCP has a marked positive effect on the companions, and real but less easily specified effects on clients. Other research areas have surfaced which require further inquiry on the effects of participation of older citizens in the Retired Senior Volunteer Program, Foster Grandparent Program, and SCP (as well as VISTA) on their lives and the avoidance of institutional long-term care service.

Question: How is the program being coordinated with long-term care activities of the Department of Health and Human Services?

Answer: ACTION is coordinating our long-term care efforts with the Department of Health and Human Services (DHHS) in several ways. ACTION is a member of the Federal Council on Aging's Task Force on Long Term Care with members from a variety of other federal agencies including a number of members from various organizations within DHHS. Through ACTION's participation in the Interagency Statistical Committee on Long-Term Care for the Elderly, we have been included in the Department of Health and Human Services Long Term Care Data Working Group. On a less formal basis we have coordinated with the Health Care Financing Administration, the Administration on Aging and the National Channeling Demonstration Program. In addition, ACTION staff detailed to the White House Conference on Aging have participated in the Technical Committee on Long-Term Care.

At the local level, individual Senior Companion Programs coordinate with local efforts by DHHS sponsors and programs. Senior Companions are placed through direct health care providers and social service agencies, many of which are linked to long-term activities of the DHHS.

Question: Is the Senior Companion Program sharing funds with any other federally-sponsored programs?

Answer: Non-ACTION federal funds are being used by Senior Companion Programs (SCP) in at least seven states. These are federal funds that the state governments receive and commit to Senior Companion projects in their state. The total dollar amount is $171,079.00.

In addition to the cash contribution from state re-direction of federal dollars, the programs benefit from participating with other federally funded programs. There is a significant number of projects that use positions funded by the Comprehensive Education and Training Act for supervision of volunteers and drivers of project vehicles. In some projects, CETA provides a significant portion of the projects administrative funds.

In Niagara County, New York Title VII (Older American Act) funds have been applied to fund a small fifteen volunteer SCP component. Another source of federal funds would be the nutrition program. Many Senior Companions receive meals at Title VII nutrition sites. There are probably additional instances where non-ACTION federal funds are applied to the Senior Companion Program. Because this information is not regularly collected, it is impossible to know all of the sources or the actual dollars involved.

ACTION provides grants to local non-profit or governmental agencies to administer SCP. These organizations are frequently also receiving funds from other federal agencies. As such, the sponsor's administrative costs are shared by more than one federal source. Community Action Programs under the Community Services Administration administer 14% of the Senior Companion Program projects. As the grantee agency they provide a part of the in-kind contribution and administrative funds for the projects.

The total number of federal dollars that is from non-ACTION sources is unknown. It would appear that in recent years the number of sources and dollars has increased.

FOSTER GRANDPARENT STIPENDS

At last year's subcommittee hearing, it was reported that because the increase in Foster Grandparent volunteer stipends from $1.60 to $2.00 per hour did not apply to those projects which are fully State funded, volunteers in the same state may be receiving different stipend amounts for providing the same service.

Question: Is this a continuing problem?

Answer: Seven non-ACTION funded projects with approximately 315 Foster Grandparents in Michigan were unable to comply with the ACTION requirements to provide $2.00 stipends for volunteers. Non-ACTION projects agree to follow ACTION regulations and policies and are covered by ACTION legislation regarding the volunteer benefits which are not considered income for a variety of purposes. Non-ACTION projects also receive training and technical assistance through their affiliation with ACTION.

During 1980, ACTION provided one-time funding to provide the full stipend level to the non-ACTION projects in Michigan. During the current year, Michigan is providing the $2.00 stipend without ACTION funding. All non-ACTION Foster Grandparent Programs and Senior Companion Programs projects are providing the $2.00 stipend.

At last year's subcommittee hearing, it was reported that because the increase in Foster Grandparent volunteer stipends from $1.60 to $2.00 per hour did not apply to those projects which are fully State funded, volunteers in the same state may be receiving different stipend amounts for providing the same service.

Question: If so, what steps can be taken to remedy this situation?

Answer: Non-ACTION projects which have affiliation with ACTION must comply with ACTION regulations and policies, including payment of stipends. If changes in policy include higher levels of stipends, the sponsor must comply. ACTION does not have funds to provide increased costs for Non-ACTION funded projects. We work with these sponsors to permit a reasonable time for compliance and may be able, on occasion, to provide one-time assistance as was the case in Michigan in 1980.

Question: How many Senior Companion and Foster Grandparent projects are federally funded, and how many are totally supported by state and local funding?

Answer: In the Senior Companion Program, 56 projects are primarily ACTION funded (up to 90%). An additional 6 projects in Connecticut, Vermont, Georgia, Nevada and California receive minimal ACTION funding with the major funding received from state and other non-ACTION sources. A total of 7 projects in New York, California and Washington with over 400 volunteers are entirely supported by non-ACTION funding.

In the Foster Grandparent Program 208 projects are primarily ACTION funded. In New Mexico 9 small projects with a total of 115 volunteers receive ACTION funding for administrative support costs. In Michigan 7 projects are totally supported with non-ACTION funding.

VISTA

Opponents of the original proposal to create ACTION believed the antipoverty focus of VISTA would be de-emphasized in an agency primarily devoted to voluntarism. More recently, however, concern with VISTA has focused on alleged politicizing of programs and possible lobbying by volunteers and sponsor organizations.

Question: What do you consider to be the primary function of VISTA: elimination of poverty, or creation of volunteer opportunities?

Answer: The primary purpose of the VISTA programs, as defined by Sec. 101 Title I, Part A of the Domestic Volunteer Service Act, is to "strengthen and supplement efforts to eliminate poverty and poverty-related human, social and environmental problems . . . and to secure and exploit opportunities for self-advancement by persons afflicted with such problems."

VISTA assigns full-time volunteers to public or private nonprofit organizations whose activities focus on the elimination or alleviation of poverty. Volunteer opportunities are merely the vehicle through which poverty problems are addressed.

Question: Can the program achieve both?

Answer: With the primary purpose of VISTA focusing on the elimination and/or alleviation of poverty problems, the Domestic

Volunteer Service Act also requires that this be done "by encouraging and enabling persons from all walks of life and all age groups to perform meaningful and constructive volunteer service . . . . "Since the inception of the program in 1965, over 70,000 people have served in VISTA with the profile of the volunteer corps changing significantly during that period of time.

Section 103 (b) of the Act requires that low-income volunteers be provided an individual plan designed to provide an opportunity for job advancement or for transition to gainful employment. Other volunteers must be provided a similar plan if they request it. We believe that serving the poor and providing training and career experience to volunteers are not incompatible, and can both be achieved by VISTA, particularly with respect to low-income volunteers.

Currently, 60% of the volunteers serve in their own communities; 30% of the volunteers are themselves low-income; 40% come from minority backgrounds; 15% are over 60 years of age. Over the years volunteers have increasingly become more representative of the project communities being served; we expect that trend to continue.

Question: Has ACTION implemented provisions of the 1979 reauthorizing legislation dealing with political activities in VISTA programs?

Answer: As a result of recent amendments to the Domestic Volunteer Service Act, ACTION published a regulation, "Prohibitions on Electoral and Lobbying Activities," 45 CFR Part 1226, on January 27, 1981 which incorporates longstanding legislative provisions restricting political activities on the part of volunteers and sponsors and adds new restrictions on activities which influence the passage or defeat of legislation or proposals by initiative petition. The lobbying restrictions had previously been prohibited by Agency policy; the new regulations provide more explicit restrictions, particularly regarding sponsoring organization activities.

In addition, ACTION has carried out extensive training activities for staff members, volunteers, and volunteer supervisors to assure that they are aware of the regulations and the reasons for them. We believe that no regulation can be effective without the informed support of staff and volunteers. We also believe we have that support.

Question: Could VISTA be better managed if transferred to another federal agency, such as Human Development Services within HHS?

Answer: Probably not. One of the reasons for creating ACTION was to bring together all of the voluntary action programs operating in various departments throughout the federal government into one agency with a common purpose. This common purpose was to encourage and support the involvement of citizens from all ages and walks of life in the solution of human, social and environmental problems, especially those related to poverty. VISTA volunteers serve as catalysts and resource mobilizers to enable low-income people in communities throughout America to find solutions to their own problems without becoming dependent on continuing federal aid. The common bond which VISTA has with other ACTION programs, then, is the concept of voluntary action rather than a single issue or programmatic focus such as the delivery of health care, for example.

Question: Would confusion over the program's mission be eliminated if it were a component of a larger agency?

Answer: VISTA's mission is very clear. By focusing on a broad range of human, social and environmental issues related to poverty, VISTA is able to relate the needs of low-income communities to (and consequently generate resources from) a cross-section of local and national private and public programs. In this fashion, VISTA has helped low-income groups begin and manage their own food and craft co-ops, credit unions and other types of small businesses; has pioneered in urban homesteading and sweat-equity housing programs to turn abandoned tenements into cooperatively-owned housing; has helped establish health care clinics, child and spouse abuse centers, pre- and post-natal nutrition programs, and child care centers; and has enabled low-income and elderly people to winterize their homes, build solar collectors and greenhouses and, in short, become less dependent on costly fuel oil. From these few examples, it can be seen that VISTA assignments cut across a large number of agency responsibilities and are not restricted to one area of activity.

This breadth of role of volunteers was recognized in 1971, when ACTION was formed to be a central focus for all volunteer activities supported by the federal government.

Under ACTION, VISTA is recognized as America's only federally supported full-time domestic volunteer effort, combining resources and working in concert with ACTION's other domestic programs. Because ACTION is a small and creative agency, unburdened by many bureaucratic layers or compartmentalization of functions, VISTA gets the kind of support and attention America's only fulltime volunteer program deserves. Under a larger agency, especially one focused on only a few issues, VISTA would become an underutilized resource and probably be subordinated in priority to programs within the substantive authority of the agency.

Question: How do VISTA sponsors differ from CSA's Community Action Agencies?

Answer: CSA and VISTA have similar missions in that they serve low-income people. VISTA was begun in 1964 under the Office of Economic Opportunity (now the Community Service Administration). VISTA is a national corps of volunteers whose primary goal is to address the problems of the poor. VISTA Volunteers are assigned to local public and private non-profit sponsoring organizations which develop projects and direct the volunteer activities. One major difference between VISTA's and Community Action Agencies, which was recognized in 1964 and continues to exist, is that VISTA appeals to the spirit of Americans to serve long hours without expectation of financial return to assist their fellow citizens to improve their economic position. VISTA's are required to live on a small stipend at the level of the poor people they serve, and to be available for service without regard to regular working hours. They are, in effect, donating a year of their lives to the service of the poor. The situations in which opportunities for such service exist is clearly not limited to Community Action Agencies. Seven percent of all VISTA Volunteers work under the sponsorship of CSA-funded Community Action Agencies. Other types of VISTA sponsors include: local/state governments, churches, legal services, educational institutions, tribal councils, rural cooperatives and migrant organizations.

Question: Are VISTA projects and programs designed to be taken over and continued by community efforts following efforts begun by VISTA volunteers?

Answer: All VISTA project proposals must include plans for institutionalization within 3 years as part of the project agreement.

Question: How many projects did VISTA phase out during fiscal 1980, and of those how many activities have continued, using local community resources?

Answer: Of 180 projects phased-out in FY 1980, 135, or 74%, were successfully institutionalized.

Question: What efforts are made to recruit volunteers from a locality being served by ACTION?

Answer: VISTA recruits 60% of its volunteers from the communities and counties in which they serve. Much of this effort is attributable to the local program sponsor's participation in recruiting local volunteers.

Question: Does ACTION monitor or check the progress of a program once it has been "institutionalized"? How often?

Answer: Due to the limited resources available for monitoring activities, post-termination project monitoring is not possible. In many cases, informal contact is maintained through the local personnel.

Question: What is the normal time period for a VISTA grant?

Answer: VISTA grants are funded for one year, with the understanding that funding may be renewed for two subsequent years if project development proceeds satisfactorily.

Question: What is the average life span of VISTA support to a project?

Answer: VISTA projects are funded for one year at a time with the understanding that the project will be established and institutionalized after no more than two renewals of the funding.

VISTA GRANTS PROGRAM

Question: What is the current status of the national VISTA grants programs?

Answer: Eight of the nine current national VISTA grants are in their third and final year of operation. The ninth will end at the end of its second year on 10/31/81.

The ten grants currently operating consist of 153 local project components with 380 volunteers.

A total of $1.9 million dollars was obligated for national VISTA grants for FY 81, representing 6% of the total VISTA budget.

No obligations are planned for FY 82.

Question: Have provisions been made to award grants competitively?

Answer: ACTION published competitive procedures for national and regional grants in the Federal Register on March 6, 1979 (Volume 44, Number 45).

No new national grants have been awarded, however, since those procedures were published. While competition in awards is an important consideration in the regional grants program, other factors, such as the statutory requirement for the equitable distribution of funds between urban and rural areas, must also be considered in making awards.

Question: How does this program differ from the regular VISTA program?

Answer: Programatically, the national grants have focused on specific issues and/or assisted a specific population, where a common approach is called for, e.g., cooperative development, nursing home reform, Indian-controlled education, etc. National grant sponsoring organizations have possessed and provided specialized expertise and technical assistance capabilities within such specific issue areas. In addition, the National grants differ from standard VISTA projects in their reliance on the capabilities of sponsoring organizations, rather than those of ACTION, for such matters as volunteer payroll, recruitment, supervision, travel and training.

Question: Why is it necessary?

Answer: National grants have enabled VISTA to:

-- program for national impact on issues of concern among the poor - National Coalition of Nursing Home Reform, Coalition of Indian Controlled School Boards, etc.;

-- reach populations of special need - e.g. National Association of Farmworkers Organization's migrant stream project via national grantee;

-- develop 1 - 3 person projects with grassroots groups which ordinarily would not be sophisticated enough to compete against other sponsors for standard VISTAs, e.g. individual credit unions, co-ops, etc.;

-- via national grantee, provide programmatic, training and technical assistance expertise in areas where ACTION staff has little or none, e.g. coop/credit union development, housing displacement, etc.;

-- provide a single, simplified application process for multiple, local projects with a common program thrust which cross Federal regional lines.

VISTA VOLUNTEER TRAINING

ACTION's own evaluations and reports from volunteers have shown a need for upgraded training.

Question: What kind of training do VISTA volunteers now receive?

Answer: Pre-service orientation: This is a three-to-five day orientation which takes place at the outset of the service and includes, in part, discussions of poverty problems in America, the role of the volunteer, the sponsor's plans for meeting community needs and mobilizing resources, and terms and conditions of service.

On-the-job orientation: A period of on-the-job orientation begins soon after the volunteer reports to the project. It is conducted by the project supervisor and enables volunteers to learn about the project, the community, and to develop a plan for the year.

In-service training: In-service training events are designed to sharpen specific skills needed on the project (e.g. proposal writing, fundraising, etc.) These events usually take place within the first three months of the Volunteer's service.

Career Development: Initiated in pre-service orientation and extending throughout the term of the volunteer's service, the volunteer is helped to prepare and continually develop a plan which he/she can use for career life planning.

Supervisory Training: Supervisors, through state-wide management workshops and participation in volunteer orientation and training sessions, are helped to gain skills needed to provide job orientation and supervision to VISTA volunteers.

Question: Has the career development and training program been updated and improved?

Answer: Given the diversity of need among volunteers for assistance - everything from needing to focus on passing the GED through re-assessing a career direction decision made in college - we have opted to broaden the scope of assistance to include counselling and instruction beyond the requirement to provide "individual plans . . . for job advancement."

We are developing and are two months away from field testing a delivery mechanism for this component of training. A training for trainers manual and a self-paced guide for volunteers are the two key ingredients.

Four of ten Regions are now using manuals which focus on preparing resumes, how to hunt for a job, etc.

Three Regions hold one-day career/development planning sessions open to sponsors and volunteers.

A periodical "Community Jobs" is sent to volunteers in their tenth to twelfth month of service.

The Former Volunteers Services branch within the Office of Voluntary Citizen Participation distributes "Hotline" and other materials to VISTA volunteers.

Question: What percentage of your budget is tied to training of volunteers?

Answer: Training costs range from 6% to 8% of the VISTA budget depending on the ratio of training entries to volunteer service years for a given fiscal year. These costs are applied to a pre-service orientation, job-specific in-service training, training for local Volunteer supervisors, a limited amount of career counseling (particularly for low-income Volunteers) and technical assistance manuals and other publications.

Question: Could that amount be reduced by concentrating on training videos rather than on technical assistance manpower?

Answer: Curricula for orientation and training of Volunteers vary widely due to the diversity of VISTA assignments.

The elements that are most standardized and could be videotaped are in pre-service orientation, e.g., review of the VISTA legislation, terms and conditions of service, and explanation of the Volunteer's health benefits.

It is doubtful that any economies would be realized. The staff who deliver these components - generally, state program officers and regional support staff - are needed at pre-service orientation for administrative reasons and are drafted into the role of trainer for these portions of the agenda. Videotape playback equipment would have to be rented or purchased.

The other components of VISTA training, i.e., in-service training, on-the-job orientation, career/life planning, and training for supervisors, are not standardized and probably do not lend themselves to videotaping.

VISTA/START-UP CRITERIA

Question: What criteria does ACTION use in determining the need for a VISTA project?

Answer: The VISTA program recognizes that VISTA volunteers are a scarce resource in the elimination of poverty and poverty-related human, social and environmental problems. Over the years there have been many more requests for VISTA Volunteers and projects than could be granted. Those projects, therefore, which have sought to maximize the volunteers' efforts by using them as mobilizers of resources and as catalysts for building leadership, establishing self-reliance, and assisting individuals and groups of individuals to deal with their own problems, have been selected over others which have primarily provided one-to-one services. Direct service has been approved only when it has been demonstrated that service roles are an integral part of an overall strategy which will lead to a more self-reliant low-income community, and will not foster a dependency on VISTA support by the project's beneficiaries.

Question: How many requests for VISTA projects are presently pending?

Answer: At present, there are 945 requests for new VISTA projects pending throughout the country. Additionally, about two-thirds of approximately 860 current VISTA projects are requesting volunteers beyond their current year of operation.

Question: What do you consider to be the optimum program size for VISTA?

Answer: Given a modest increase over the original FY 1981 budget request, VISTA could field 6,000 Volunteer Service Years by FY 1983. If program development followed at the same rate, 7,500 volunteers could be fielded by FY 1985.

VISTA/DISTRIBUTION

Question: How does VISTA determine distribution of funds so that all parts of the country are equally served?

Answer: VISTA applies a resource allocation formula to determine the distribution of funds as follows:

Twenty-five percent of VISTA's funds are distributed equally in 53 parts; to each of the states, the District of Columbia and Puerto Rico; 1/2 part for the Virgin Islands, and 1/4 part each for Guam and American Samoa.

Five percent of the funds are allocated to the regions in 10 equal parts.

Seventy percent of the funds are then distributed within the regions based on the percentage of the regions' population which falls within the poverty income level as defined by the Office of Economic Opportunity.

A current imbalance in two of the regions is being corrected by temporary, weighted formulae.

Question: What percentage of your projects are urban-based and what percentage are rural?

Answer: Thirty-seven percent of VISTA's projects are rurally-based. The remaining 63 percent are urban projects.

Question: Do any VISTA projects share funds with any other federally-sponsored programs, such as CETA or Headstart?

Answer: Only a small percentage of VISTA projects depend for their existence on funds from other agencies. (Examples would be Volunteers working on a housing rehabilitation project which has support from HUD, or Volunteers assigned to a Community ACTION Agency which is wholly funded by CSA.) A larger percentage of Volunteers work with sponsors which may have some part of their operation supported by another Federal agency and therefore have funds which are not essential to the work being done by the Volunteers. Indeed, volunteer assignments are designed to reduce dependency on federal resources. Volunteers also work for agencies and organizations supported by state, local or private sources. By law, volunteers may not work for profit-making organizations.

Volunteers are not assigned to organizations set up for the sole purpose of being a VISTA sponsor. Only established agencies or groups may be VISTA sponsors.

VISTA/COST EFFECTIVENESS

Question: Is the VISTA program a cost effective measure in reducing the nation's reliance on other more expensive federal programs?

Answer: VISTA does not have a precise indication of how much its program has reduced the nation's reliance on other more expensive federal programs. Our presumption is that VISTA projects have helped people, for example, to find jobs, grow agricultural products in a more efficient manner, reduce their housing and heating costs, etc. We do know that VISTA Volunteers have an excellent record of mobilizing resources. A recent study in which 295 VISTA Volunteers were interviewed on site determined that on the average each VISTA recruited 15 local part-time volunteers and generated over $20,000 in resources for their project.

A survey of 45% of the current projects reported that 1.9 million people benefited from the services of VISTA Volunteers. By extrapolation over 3.6 million people are served by the total number of VISTA Volunteers.

Question: How could the VISTA program be further improved?

Answer: VISTA Volunteers have always been regarded as a precious, scarce resource which could only be provided to low-income communities on a temporary basis while those communities develop the capacity to take over and "institutionalize" the activities begun by Volunteers. In that light, VISTA will attempt to strengthen its programming by concentrating its resources on projects which have clear and cogent plans to "institutionalize" activities begun by Volunteers and to transfer skills from the volunteers to low-income community residents. In an attempt to enhance the self-reliance of low-income communities, VISTA will increase its technical assistance efforts to projects on the mobilization of private sector resources and part-time, non-paid volunteers.

BUDGET REDUCTIONS

The Administration has decided to request a considerable cut in ACTION's domestic program budget for FY 1982 from the current $159.8 million level to $145.2 million, with the cut being made primarily in the VISTA program.

Question: Why did VISTA absorb the majority of the Agency reduction, while other domestic programs within the Agency remained at their current funding level or received a slight increase?

Answer: Flexibility of volunteer and trainee input into the VISTA program allows cutbacks without eliminating the possibility of development of new projects and continuation of the program goals. In order to allow for the maximum potential for development of new projects in 1982, VISTA cut back on training entries in 1981 to avoid committing the majority of the 1982 budget to already on-board volunteers.

Question: Who made this decision and what type of process was used in determining where the cuts would be made?

Answer: Decisions on funding levels of the ACTION domestic volunteer programs were made by the Acting Director, Dana Rodgers. These decisions were made within the context of several important principles. First, the need to respond to the Administration's goal of reducing Federal expenditures. Second, a strong desire not to take any action requiring the termination of existing ACTION volunteers. Third, a commitment to the Older Americans Volunteer Programs as activities of proven excellence and value to the nation. Fourth, the need to provide the incoming Administration with the greatest possible degree of flexibility in initiating new projects.

An analysis of each existing ACTION program led to the revised ACTION budget proposal for fiscal year 1982 and the rescission proposal for 1981. Because the VISTA Program has a one year period of volunteer service, it was possible to make substantial cuts in that activity. Further, in order to provide an opportunity for new VISTA initiatives in 1982, it was decided to trade off 1981 trainee entries which would have committed most of the 1982 VISTA budget to ongoing volunteers.

Finally, there was a commitment to a management structure which would be lean and efficient, but would provide for adequate support of the volunteer programs and would enable the agency to account for and ensure proper use of public funds. Therefore, while it was possible to absorb almost 50% of the mandated civilian pay increase in 1981, it was necessary to seek an additional $900,000 for that purpose and to retain originally appropriated funds.

VISTA PROGRAM DIRECTION

Question: VISTA currently has a 34 million dollar budget and President Reagan is proposing a rescission of 1.7 million for FY 1981, and a substantially reduced budget of 20.7 million for FY 1982. Do you support this proposed cut and do you consider it to be a phaseout budget for VISTA?

Answer: VISTA, and the ACTION agency, must do their share in the government-wide effort to support President Reagan's policy of lowering government spending levels. On this basis, the agency supports the proposed FY 1982 budget.

The FY 1982 budget is not a phase-out budget. It introduces more trainees than the revised FY 1981 budget did, and supports a flexible program base for FY 1982.

Question: Is it true that the proposed FY 1982 budget represents the lowest budget in the history of the VISTA program and will result in the smallest number of volunteers serving in the program since its inception 15 years ago?

Answer: Yes. The proposed FY 1982 budget for VISTA does represent the lowest budget in the history of the program and will result in the smallest number of volunteers serving in the program since VISTA's inception 15 years ago.

Question: What are your plans for VISTA?

Answer: In FY 1982, VISTA will fund 500 standard projects, fielding 2,546 volunteer service years through 2,891 training entries. Approximately two-thirds of VISTA's projects will be placed in rural areas and one-third in urban areas. Through its projects, VISTA will continue its program goals of promoting self-help and self-reliance in combatting the problems of poverty.

Question: What program direction would you like for it to take?

Answer: The new director of ACTION has expressed a special interest in youth programs which will be developed through the service-learning priority programs. VISTA will continue to emphasize independent living and energy as major areas in program development.

TYPES OF VISTA VOLUNTEERS

Question: What type of people are currently serving as VISTA volunteers and how will they be affected by the proposed budget cut?

Answer: Of the volunteers currently serving in VISTA 60% are recruited from the communities in which they serve and 30% are themselves low-income. 15% are over the age of 60 and nearly 40% come from minority backgrounds. The proposed budget cut will reduce the number of volunteers by 41% in FY 1982 with the number of volunteers recruited nationally by ACTION taking a larger proportion of the cut.

Question: How many volunteers are themselves low income people, how many are minority, how many are themselves senior citizens, and how many are serving in their own community?

Answer: Of the volunteers currently serving in VISTA 30% are themselves low-income people, 40% come from minority backgrounds, 15% are over the age of 60, and 60% are recruited from the communities in which they serve.

VISTA'S IMPACT

Question: How many poor people are served by VISTA volunteers each year?

Answer: A 1980 survey of nearly one-half of all VISTA projects reported that the average number of low-income people served by each volunteer is 900, and the average number served per project is 5,000. By extrapolation, therefore, approximately 3.6 million low-income people are served by VISTA Volunteers in fiscal year 1982.

Question: What impact will the proposed reduction have on the poor currently being served by VISTA volunteers?

Answer: The number of VISTA volunteer service years will drop from 4,303, the House Allowance level in fiscal year 1981, to 2,546 in fiscal year 1982. With a recent evaluation study indicating that each volunteer serves an average of 906.5 poor people, the proposed budget cut will mean that more than one million low-income people will lose the services currently being provided them by VISTA volunteers. Additionally, approximately 400 communities which now have VISTA projects will see those resources withdrawn. Many small grassroots projects which depend on ACTION support for volunteer supervision and transportation will be forced to assume many of those costs themselves or be unable to sponsor volunteers. This will particularly affect rural areas where transportation is essential to the volunteers for performance of their assignments.

VISTA/RESOURCE GENERATION

Question: How many community volunteers does VISTA generate at the local level and what type of financial resources do VISTA volunteers help to mobilize at the local level in low income communities?

Answer: At the local level in FY 1980 VISTA volunteers mobilized about 60,000 non-ACTION volunteers and generated approximately $6,500,000 in non-Federal resources.

VISTA/VOLUNTEER SUPPORT COSTS

Question: How much does it cost to support a VISTA volunteer for a year?

Answer: The average cost for a volunteer in FY 1980 was $7,595. For 1981 the average cost will be $8,011 and in 1982 $8,148.

Question: What percentage of the funds appropriated for VISTA go directly to supporting the volunteers and how much is absorbed by overhead expenses?

Answer: In FY 1981, 89% of funds appropriated will be for direct support of volunteers. 11% will cover overhead costs, i.e. supervision, on-the-job transportation, and program evaluation.

In FY 1982, 91% of appropriated funds will directly support the volunteers, and 9% will cover overhead costs.

VISTA'S FUTURE

Question: In a time when other vital social programs available to the poor are being reduced or eliminated, do you think that it is wise to cut VISTA, the only full time volunteer anti-poverty program, by close to 40%?

Answer: It should be stated first of all that the Administration is not eliminating essential services to the poor. A number of programs which have proven to be of some value, but are not essential, are being curtailed or eliminated as part of an effort, which reaches many other sectors of Federal spending, to get the budget under control and in so doing to begin to get a handle on inflation. Other programs formerly administered directly by the Federal government will be consolidated into block grants which are set priorities based on local needs to continue to serve the poor and other citizens.

VISTA has clearly been a program which has enabled many citizens to volunteer in very useful ways to work with the poor to enable them to overcome poverty. However, at a time when hard choices had to be made, it was determined that the proposed reduction in the level of spending in support of the VISTA program was a reasonable and necessary choice.

It almost goes without saying that unless inflation is brought under control, the level of poverty in America will grow and there is no better way to combat poverty than to curtail inflation.

Question: With the potential for reinstitutionalization of the draft, VISTA remains the only fulltime program with a built-in structure for alternative domestic service. In light of this, is it wise to be reducing the program at this time?

Answer: VISTA, with its pre-established potential for full-time service to the nation by volunteers, presents one possibility for alternative domestic service. While reducing the size of the program in accordance with the administration's policy on reduced government spending, VISTA maintains the same flexible volunteer structure as before, but obviously at a reduced level of volunteer service.

Question: At one time there was discussion of ACTION's programs becoming a part of a block grant to the states. Is this still being considered at any level or has the White House or OMB assured you that ACTION's domestic programs would be maintained under the ACTION umbrella?

Answer: No plans currently include VISTA, or other ACTION programs in a block grant program proposal.

UNIVERSITY YEAR FOR ACTION (UYA)

ACTION has sponsored 11 demonstration projects since 1978 for the University Year for ACTION program in response to criticisms leveled at the program's quality and effectiveness. Evaluations of this program were to have been completed in January of this year.

Question: Are the results of the study available yet?

Answer: The UYA study is a two-phase design. The first phase was designed to compare and contrast the UYA 1978 and 1979 demonstration projects with the 1978 UYA standard projects in order to examine any differences based on policy changes. Analysis of the results of the first phase is near completion. The second phase was designed to assess the impact of the two program models (community-based versus university-based) on the communities being served. The second phase of the evaluation was redesigned to better use available funds and information is being gathered by the program office.

Question: What were the results?

Answer: The first phase of the UYA evaluation study was to compare the UYA demonstration projects with UYA standard projects in order to examine the differences based on several policy changes. Policy changes for the demonstration grants allow for:

-- grants to be awarded to organizations other than institutions of higher learning;

-- the payment of living allowances equal to those received by VISTA volunteers;

-- volunteers to enroll in up to six hours a week of traditional classroom instruction related to their service assignments; and

-- additional funds to cover the administrative costs of the program.

Preliminary findings from the first phase of the evaluation are:

-- The demonstration projects did not show improved volunteer recruitment and retention rates. The increased living allowance and the provision of allowing up to six hours of on-campus courses did not significantly influence recruitment and retention when compared with the standard grant projects.

-- The demonstration projects recruited a smaller proportion of their volunteers from among local community members than did the standard grant projects.

-- The demonstration projects were not more likely to have local "grassroots" organizations as sponsoring agencies.

In fact, there was a movement toward utilizing more traditional agencies.

-- The volunteers in the demonstration projects did focus their service much more frequently on community organization and development than did those in the standard grant projects. Many fewer volunteers were engaged in direct service roles.

-- The demonstration projects did not differ significantly from the standard grant projects in their focus on below poverty and minority group populations. However, 75% of both project types focused on these populations.

-- Measures of service-learning integration were similar for the two groups of projects.

Question: Have the educational institutions increased their involvement in and accessibility to the target community?

Answer: As reported by project directors, 94% of the participating educational institutions increased their involvement in the target community by making their facilities available for use by the community and by supplying faculty expertise to community groups.

Question: Is the target community more likely to be low-income?

Answer: In both program models, 75% of the volunteers serve target communities below proverty level income.

Question: What are the effects of the service-learning experiences of the UYA student?

Answer: Initial data from the second phase evaluation indicates that the UYA experience benefits the UYA volunteer by:

-- providing professional confidence before graduation,
-- gaining personal satisfaction through helping others,
-- acquiring valuable communication and organizational skills that will enable them to "serve" in any job, and
-- validating self-development and career goals.

Question: Is the University Year for ACTION program really necessary?

Answer: The University Year for ACTION program is one model of service-learning for college students. It is not essential that ACTION continue to support this particular full-time, stipended volunteer program. Others could be demonstrated. ACTION should conduct such demonstration projects and provide technical assistance to local programs through the National Center for Service Learning.

Question: How does this program rank in priority to other ACTION programs?

Answer: UYA is a very low priority in comparison to other ACTION programs. The decision to discontinue UYA is based on the belief that, given limited resources, there are more cost-effective approaches to stimulating the development of service-learning programs, particularly those which can have an impact on problem youth.

Question: Can you prepare for the record a tabulation of travel expenses for all recipients of ACTION grants and contracts?

Answer: Yes. During FY 1980 recipients of ACTION grants expended approximately $2,139,000 for grantee staff travel and recipients of ACTION contracts expended approximately $204,000 for contractor staff travel. The amount of travel in grants represents 1.8% of the program grant obligations for that year.

COMMUNITY SERVICES ADMINISTRATION

STATEMENT OF CURTIS W. CHRISTENSEN, CONTROLLER

ACCOMPANIED BY ROGER A. SCHWARTZ, ACTING GENERAL COUNSEL

INTRODUCTION OF ASSOCIATE

Senator ABDNOR. We welcome the Community Service Administration. It's a pleasure to have you here. Would you mind introducing your colleague?

Mr. CHRISTENSEN. This is Roger Schwartz, the Acting General Counsel.

Senator ABDNOR. You're the Controller?

Mr. CHRISTENSEN. That is correct.

Senator ABDNOR. Do you have a particular statement for the record?

Mr. CHRISTENSEN. As you know, we do not have an acting director at this time.

Senator ABDNOR. I understand.

Mr. CHRISTENSEN. So we do not have an opening statement.

Senator ABDNOR. All right.

Mr. CHRISTENSEN. We will be happy to answer as many questions as we can.

BLOCK-GRANT PROPOSAL

Senator ABDNOR. We all understand the Reagan administration has proposed to consolidate categorical grants in Health and Human Services to one or more block-grant programs. CSA is to be part of that consolidation. Is that right?

Mr. CHRISTENSEN. From looking at yesterday's proposal, it looks as though that is true.

Senator ABDNOR. What do you know about it so far?

Mr. CHRISTENSEN. Really, we have no specifics on our role in the block-grant program.

Senator ABDNOR. You don't know who would take over the community action program operations if it would come under a block grant? Do you have any idea who would handle it then?

Mr. CHRISTENSEN. It appears that HHS would run a social services block-grant program and that the community action agencies would be eligible for funds in that block-grant program. But at this point, we do not have specifics.

Senator ABDNOR. Are they going to continue those community action agencies under this new program?

Mr. CHRISTENSEN. I think the administration believes that those that are successful and have done a good job in the past will be able to compete for funds.

COMMUNITY ECONOMIC DEVELOPMENT

Senator ABDNOR. Who do you think will take over community economic development program?

Mr. CHRISTENSEN. That is not at all clear from the budget proposals which were submitted yesterday.

Senator ABDNOR. Community action agencies are charged with assisting low-income families and individuals to gain the skills and motivations and opportunities necessary for them to become self-sufficient. That's a pretty good summary of the program, isn't it?

Mr. CHRISTENSEN. That is correct.

EFFECTIVENESS OF CAA'S

Senator ABDNOR. What data do you have to prove that community action agencies have been effective in and directly responsible for taking poor people off of welfare rolls?

Mr. CHRISTENSEN. I think the best example is that the community action agencies, of which we have been 900 nationwide, do mobilize a number of resources. For example, about two-thirds of the Head Start programs are run through community action agencies. About 90 percent of the weatherization program funds are run through CAA's. The assessments we have made show that those CAA's that do the best job of planning and working with local governments and involving the poor in those decisions are the ones which are most effective.

Senator ABDNOR. Then, you really feel that in your own mind, then, that the mission of the CAA's is being fulfilled?

Mr. CHRISTENSEN. Yes.

Senator ABDNOR. What percentage of the CAA's do you really feel are effective in doing the job?

Mr. CHRISTENSEN. It would be difficult to come up with a percentage, but I think for the most part, the greatest number of them are. We also have examples where some aren't doing the type of job we would like them to.

Senator ABDNOR. In rural South Dakota, where we come from, do you feel that they have been really successful out in the rural areas and places like reservations?

Mr. CHRISTENSEN. Well, the one I know the most about back there is the Madison Delegate Agency of the statewide CAA and the program it runs serves my hometown with a transportation program for the elderly. Without this program, there is not another way for the elderly poor to go to hospitals and doctor appointments. From what I can tell, it's been quite an effective program.

Senator ABDNOR. Are the CAA's encouraged to become independent of Federal assistance by seeking local or State funding?

Mr. CHRISTENSEN. Independent? I think you need to think of them more like a local government. They may never become completely independent. Our funds are the glue money that permits the CAA to function and to work with local governments and with other programs, Federal programs, to make sure that those funds are targeted to the neediest of the poor.

Senator ABDNOR. In other words, you have got to have input coming from the top or you can't get the support of the local and State, is that right?

Mr. CHRISTENSEN. Yes.

CETA RELATIONSHIP WITH CAA'S

Senator ABDNOR. In 1978 Congress reacted to the numerous charges of fraud and abuse in the CETA program by passing a reauthorization heavy on the administrative controls and fiscal accountability. To what degree has community action agencies been serving as operators of the CETA programs?

Mr. CHRISTENSEN. To a large extent, a number of CETA workers function in the weatherization programs which I mentioned before. The weatherization program provides basically the money to buy the lumber and the materials.

The CETA workers are the laborers that help that program function. As I said before, many of our CAA's run those types of programs.

Senator ABDNOR. Has the increased involvement of CAA agencies in CETA caused them to concentrate primarily, if not solely, on program administration, rather than service delivery and improvement?

Mr. CHRISTENSEN. I don't think that's true with the involvement our CAA's have had. I think these are principally program-oriented.

CSA HOTLINE

Senator ABDNOR. Last year, a confidential hotline was installed by the CSA's inspector general, in an attempt to identify fraud and abuse by grantees. Has that been successful?

Mr. CHRISTENSEN. I think it has. I think because we are quite small, we do not receive the numbers of hotline calls which DOL or HHS receive. But I think it's been a good thing to have a place where people can call.

Senator ABDNOR. Is it used pretty readily? Do you see some noticeable improvements from it? Have you been able to stay on top of everything that way?

Mr. CHRISTENSEN. I believe so, "Yes."

Senator ABDNOR. Has there been any noticeable drop in abuse? Have you had less charges of abuse since its introduction?

Mr. CHRISTENSEN. It is difficult to say, we can certainly provide a more detailed response for the record.

[The information follows:]

RECOVERED MISSPENT FUNDS

The hotline has provided an excellent opportunity for employees to report fraud, waste, and abuse. From October 1, 1979 to March 17, 1981, 177 hotline calls were received by the Office of Inspector General—27 or 15 percent of the calls resulted in active investigations related to violations of law, rules, and regulations: mismanagement; waste of funds: or abuse of authority—98 or 55 percent of the calls were referred to other agencies or appropriate program areas within CSA for administrative action—52 or 29 percent of the calls were found to be nonsubstantive and required no further action.

Senator ABDNOR. Tell us how that has improved your operation. How much in misspent funds have been recovered?

Mr. CHRISTENSEN. As you may know, our legislation provides that disallowed costs can be recovered by having the grantee provide additional non-Federal share in subsequent years. That's the method which is normally used. Because these agencies are nonprofit grantees, they do not have a profit base from which to pull funds if they have misspent funds. So, not a large amount of actual cash has been collected. But, the method normally used is that in the next grant year, the grantee must come up with additional non-Federal share to pay for costs disallowed in the past year.

GAO FINANCIAL MANAGEMENT REPORT

Senator ABDNOR. Thank you. I'm sure you are familiar with the GAO report. They reported in late August that the CSA headquarters, its regional offices, and its grantees all have poor internal controls over fiscal and management activities, leaving them vulnerable to fraud and abuse.

GAO singled out a number of specific programs such as the grantees having excess cash on hand, inadequate controls over closely related service corporations, dual reimbursement of grantee expenses, and inadequate controls over fixed assets. GAO also noted that the CSA has not submitted its accounting system to the Comptroller General for approval. Now, how has the CSA addressed the above charges of the report?

Mr. CHRISTENSEN. We have certainly been working at it since that time. Our accounting system principles and standards were approved by GAO last year and we are in the process of having our system design submitted through them so there has not been a period where we have done nothing. It's an extensive process. I think it's important to note that when GAO testified, their lead witness, when asked how we compared with other agencies, said we were about average.

From reading what they said, you would not get that impression. But, we have made a conscious effort to address——

Senator ABDNOR. Do you think it was overexaggerated, then? Do you think GAO is making a mountain out of a mole hill, or do you think they had valid grounds for this?

Mr. CHRISTENSEN. I think they had some valid concerns. There are grantees that have caused some problems and we have tried to address those as best we can.

Senator ABDNOR. Just how does a mess like this be allowed to develop? How come it goes so far before some of these things are caught? Do you need a better checking system within your own agency?

Mr. CHRISTENSEN. I think one thing that is going to help, many specific findings which GAO mentioned, resulted in programs which are funded by other Federal agencies. We have, in the past 6 months, been appointed the cognizant audit agency for a single audit of the nonprofit CAA's. We feel that by having one agency do the total review of the CAA, that this is going to catch a number of the types of deficiencies mentioned.

Senator ABDNOR. You really feel you are getting on top of this thing?

Mr. CHRISTENSEN. Yes, we do.

CSA INSPECTOR GENERAL REPORT

Senator ABDNOR. After the CSA's Inspector General found that 98 percent of the Agency's procurement funds contracted out during fiscal 1979 were awarded on a noncompetitive basis, CSA was asked to submit a report to Congress by November 30, 1980, outlining the Agency's plans to improve both its auditing and procurement procedures. Has this report been submitted?

Mr. CHRISTENSEN. I would like to discuss that 98 percent first. Two-thirds of that percentage were contracts which went to 8-A minority businesses which are, by their nature, sole-source type contracts with which the Small Business Administration contracts. This past year, 1980, we had——

Senator ABDNOR. What percent did you say?

Mr. CHRISTENSEN. About two-thirds of that 98 percent, so about 65 percent went to 8-A type contractors.

This past year, only 4 percent were let on a sole-source basis—96 percent were let either through a competitive process or the 8-A process. We feel that's an excellent record.

Senator ABDNOR. Even so, back in 1979, you admit that still one-third of the contracts were on a noncompetitive basis?

Mr. CHRISTENSEN. That's right, and we addressed the issue and our director at that time put out instructions that were quite specific. We feel we have turned it around.

Senator ABDNOR. Have you submitted your report?

Mr. CHRISTENSEN. I thought we had provided a status report. We had worked up a——

GREATER LOS ANGELES COMMUNITY ACTION AGENCY

Senator ABDNOR. Will you check that for the record? We would like to know what it recommends?

The House Government Operations Committee last year issued a highly critical report on the closing of the Greater Los Angeles Community Action agency. The committee was particularly critical of the CSA's reluctance to close this agency despite longstanding knowledge of ineffectiveness and possible corruption. What is the CSA doing to insure community action governing boards do not lose control of their agencies as witnessed in Los Angeles?

Mr. CHRISTENSEN. We have a new grantee program management system which has been in the process over the last 18 months. It requires that the grantee be much more specific in its plans and its goals and the monitoring which we do. We feel that once that system comes up to full operation, that it will give us a better handle on that situation. Mr. Schwartz may want to add something about Los Angeles.

Mr. SCHWARTZ. The reason why that situation in Los Angeles has gone on so long has been a number of lawsuits against CSA, by CSA, et cetera, to make sure the moneys that are still in the Los Angeles CAA are not lost. It's taken us a long time and will continue to take us some time to close out those cases, some of which will probably be settled and a number of which will probably be litigated in the very near future. The Los Angeles CAA, I believe, has already been closed down or if not, the close-down process has been started and will be completed at least in a 6-month period of time.

Senator ABDNOR. Do you think they are getting on top of it now?

Mr. SCHWARTZ. I think we are getting on top of that specific situation. I think Mr. Christensen's points are well taken in terms of avoiding those kinds of problems in the future.

COMMUNITY FOOD AND NUTRITION

Senator ABDNOR. OK. The last CSA director, told this subcommittee that approximately 6 billion dollars' worth of food is wasted in this country each year. She said that the CSA was working with private food producers to obtain some of the unused food for distribution to the low-income food bank.

How successful has the CSA been in this effort?

Mr. CHRISTENSEN. That's one of our better programs, we believe. We are working with a project called second harvest where food banks are set up to utilize the damaged food stuffs that corporations have and the corporations in turn receive a tax writeoff as they give the damaged goods to these food banks. The poor then have the benefit of these foods. I think it's an exciting program that shows how CAA's can work with private industry in serving a common goal.

Senator ABDNOR. Is it a growing part of your program?

Mr. CHRISTENSEN. Yes, it is.

USE OF FEDERAL FUNDS FOR LOBBYING

Senator ABDNOR. The General Accounting Office recently reported that a community food nutrition program grantee, the food research and action center, violated the terms of the CSA grant by using Federal funds for lobbying. GAO requested CSA to recover these illegally spent funds and review its internal and lobbying regulations. How has CSA responded to these questions?

Mr. SCHWARTZ. In terms of CSA's lobbying regulations, the General Counsel's Office issued an opinion which was published in the Federal Register that gave a fairly lengthy interpretation of what our regulations mean and do not mean and make it very clear that CSA grantees are not allowed to use Federal moneys to do grassroots lobbying, in other words, write your Congressman or Senator or get on the bus and go to the Congress.

Our regulations, as they are already in effect, would prohibit that kind of activity.

Senator ABDNOR. You think it is being stopped?

Mr. SCHWARTZ. I believe we made our position crystal clear.

Senator ABDNOR. What do you do when you get a report?

Mr. SCHWARTZ. When we get a report from a Congressman or a Senator or from local, State, Federal agency, we look into it. If it looks like something the Inspector General should look into, we do that. We try to, at least at a minimum, inform the people who contacted us what our rules and regulations are. To the extent we find the grantee has violated those regulations, we tell that grantee that those funds cannot be used for that.

Senator ABDNOR. When this sort of thing happens, are they dropped from the rolls?

Mr. SCHWARTZ. To the extent they may have used funds for lobbying, the expenses will be disallowed and they are required to pay those moneys back. I believe in the case of food research and action center, those moneys were not CSA moneys that had been expended. It is a CSA grantee, but the moneys expended were private funds.

Senator ABDNOR. Has there ever been an agency terminated for wrongful doings?

Mr. SCHWARTZ. For lobbying?

Senator ABDNOR. Yes.

Mr. SCHWARTZ. There are a number that have been terminated for not following the regulations in general, for lobbying or whatever, for being in violation of our statute, both under the Office of Community Action and the Office of Economic Development. What happens, since these are 1-year grants, most often these will not be continued the following year.

SUBMITTED QUESTIONS

Senator ABDNOR. We have some additional questions that I'm going to ask you to answer for the record. When you return the corrected transcript of the hearing today, you may submit the written answers. Thank you both very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CAA GRANTS

Question: What is the normal grant cycle for a community action agency?

Answer: The base year-to-year funding of a CAA is provided through local initiative grants. Under the GPMS the CAA program will come up for renewal every two years (it is currently renewed annually). Actual release of funds is done annually or more frequently depending on the size of the grantee or special funding conditions.

Question: Do you limit the number of grant cycles in which a CAA can participate?

Answer: No. The majority of CAAs have received uninterrupted funding from OEO/CSA for twelve or more years. If a CAA continues to operate an acceptable local program it is expected it will continue to receive its base local initiative funding.

Question: Are CAA's encouraged to become independent of federal assistance by seeking local and/or state funding?

Answer: The legislative purpose of CAAs is to assist the poor to achieve self-sufficiency. To achieve this mission, they are expected to operate or influence appropriate social service programs that treat the causes of poverty. Since most program money for social services has historically been Federal in origin, CAAs clearly could not have met their legislated mission without access to Federal funds.

Question: Over the past five years, when federal assistance has been withdrawn from the community action agencies, what has been the survival rates of those programs?

Answer: None have survived and none ever could survive as Community Action Agencies. Community Action Agencies are established under Federal law and must perform certain minimum legislatively-mandated functions. CSA provides the money (local initiative) to carry out these functions. Once a group loses the designation of CAA it loses both the local initiative funds and its responsibilities under the Federal law. However, the situation can be expected to be quite different if the existing Community Action Agencies are competing for block grant funds to carry out their programs. Those with a strong local base of support have a good prospect of continuing effective programs. CSA withdraws funds from CAAs as a penalty for failure to carry out its programs effectively, for maladministration or failure to meet the terms and conditions of their grants. The organization may continue to exist as a non-profit corporation under the laws of the state. But CSA will no longer recognize it as a CAA and when it loses this status it will also lose access to all other sources of social service program funds.

There is no known instance of an organization which was formerly a CAA which has continued to act as a CAA when CSA funds were withdrawn.

Question: How many CAA's were withdrawn from federal support during the last year?

Answer: CSA terminated nine CAAs last year.

OPERATION OF CETA PROGRAMS

Question: In 1978, Congress reacted to the numerous charges of fraud and abuse in the CETA program by passing a reauthorization heavy of administrative controls and fiscal accountability. To what degree have community action agencies been serving as operators of CETA programs?

Answer: Virtually all CAAs have CETA personnel. Most are PSE trainees. CAAs operate CETA programs as sub-contractors to prime sponsors.

Question: Are the CAAs that are operating CETA programs equipped to maintain adequate administrative control over their CETA programs? Do many CAAs lack the basic administrative and fiscal management expertise necessary to operate such programs?

Answer: CSA's fiscal management requirements are stricter than those under CETA. CSA performs annual audits of these fiscal systems and requires prompt correction of weaknesses. CAAs normally perform their management functions under CETA better than other subcontractors because of this familiarity with Federal fiscal requirements gained through their relationship with CSA.

Question: Has the increased involvement of "CAP" agencies in CETA programs caused them to concentrate primarily, if not soley, on program administration, rather than service delivery and program improvement?

Answer: No. The most common use of CETA personnel is to carry out programs. Core program administration is provided by CSA local initiative funds.

Question: What other federal programs do community action agencies depend on for program support besides CETA, such as Headstart? and to what degree?

Answer: Two-thirds of Headstart, 90% of weatherization, a majority of Foster Grandparents and LIEAP outreach, and significant numbers of Alcohol and Drug Abuse, Housing Counselling and referral, Senior Companion, Elderly Nutrition, and similar service programs are provided program support by CAAs using local initiative funds.

INSPECTOR GENERAL HOTLINE

Question: How successful has the Hotline been?

Answer: The hotline has provided an excellent opportunity for employees to report fraud, waste and abuse. From October 1, 1979 to March 17, 1981, 177 hotline calls were received by the Office of Inspector General. Twenty seven or 15% of the calls resulted in active investigations related to violations of law, rules and regulations, mismanagement, waste of funds, or abuse of authority. Ninety eight or 55% of the calls were referred to other agencies or appropriate program areas within CSA for administrative action. Fifty two or 29% of the calls were fould to be non-substantive and required no further action.

Question: What is the procedure for following up on calls received by the hotline?

Answer: A Criminal Investigative Assistant receives all calls on the hotline and transcribes calls received on the code-a-phone during non-duty hours. The calls are recorded and controlled until final disposition. Each complaint is initially evaluated by the Criminal Investigative Assistant and given to a Supervisory Investigator to determine merit and appropriate referral or other investigative action. Complaints referred to program officials are then responded to within 60 days. The responses are evaluated by the Investigative Office and a decision is made either to close the case or to investigate further. Complaints that require an investigation are investigated as soon as possible and reports are submitted to the Inspector General who provides final reports to the CSA Director.

Question: How many cases have been recommended to the Department of Justice and how many cases has the Department of Justice agreed to litigate?

Answer: Three hotline cases have been referred to the Department of Justice and one case was referred to a State Attorney for litigation and criminal prosecution. All agreed to litigate.

Question: How much in mis-spent funds has been recovered?

Answer: As our legislation permits a grantee to increase it's non-Federal share contributions in the following year to satisfy a disallowed audit cost, few audit disallowances actually result in cash being returned to the Federal Government. This policy will be considered for revision in the light of the new Administration's policies.

Question: What is the current termination rate for grantees? For what reasons are the grantees terminated?

Answer: CSA has been successful in reducing the termination rate for CAAs from two a month in 1977 and 1978 to a current level of less than one a month. The most common reason for termination is loss of fiscal control. The second most common is an inadequate CAA board.

ILLEGALLY SPENT FUNDS

Question: The General Accounting Office Recently reported that a Community Food and Nutrition Program grantee, The Food Research and Action Center, violated the terms of the CSA grant by using Federal funds for lobbying. GAO requested CSA to recover these illegally spent funds and to review its internal anti-lobbying regulations. How has CSA responded to these requests?

Answer: We have complied with GAO's request that CSA review its internal anti-lobbying regulations and as a result of our review, we published a detailed clarification of our anti-lobbying policies in the Federal Register on January 19, 1981. These regulations are under further study with a view to additional action to tighten controls on lobbying.

With respect to the request that we recover funds from FRAC for violating restrictions on lobbying, we are taking action now to comply. Our delay is due to a misunderstanding of what constituted the GAO request. Some background might be helpful here. During the summer of 1980, GAO conducted a three months on-site review of FRAC's activities and reported to the House Agricultural Committee that there had been no violation of CSA's grant conditions or Federal law. GAO was then requested by the Committee to review 10 "mailings" that FRAC had distributed to people on its mailing list, and determine whether FRAC had violated any CSA regulations or Congressionally-imposed restrictions. Of the 10 mailings, two were identified by GAO as being paid for from CSA funds which "appear to violate the anti-lobbying appropriation restriction". On September 24, 1980 the General Counsel of CSA wrote GAO a letter stating that the Agency viewed the two mailings in question as educational in nature and consistent with CSA's program mission and with anti-lobbying regulations. Around the middle of November 1980, CSA received a copy of the GAO report which contained on page 12 the following sentence: We plan to advise the Director of CSA that FRAC had improperly expended program funds on the two mailings and request that appropriate action be taken to recover the amount illegally expended" (emphasis added). Since we had received no direct response to our letter of September 24, prior to the issuance of the report, we assumed from the language of the report quoted above that GAO would be forwarding us specific advice independent of the report. However, in a telephone conversation with GAO on March 20, 1981 CSA was informed that the report itself constituted the advice and we are now taking steps to comply.

Question: How much CFNP program money goes to Food Research and Action Center and other national grantees?

Answer: Natonal grantees received, in FY 1981, approximately 10% of the total CFNP appropriation, or $2,479,500 broken down as follows:

Name of Grantee	Type of Activity	Amount of Grant
Agricultural Teams, Inc.	A project demonstrating the concept of direct marketing	$ 190,000
Children's Foundation	A T&TA provider for CSA's child nutrition projects	$ 700,000
Food Research and Action	A T&TA provider for CSA's food stamp projects	$ 645,000
Community Nutrition Institute	A clearinghouse proving information to all CFNP grantees	$ 320,000
National Indian Health Board	A T&TA provider for Indian projects	$ 288,000
National Association of Farmworker Organizations	A T&TA provider for migrant projects	$ 181,500
Second Harvest	A T&TA provider for food banks	$ 500,000

Name of Grantee	Type of Activity	Amount of Grant
National Child Nutrition Project	A project to demonstrate new approaches to improve the federal feeding programs	$ 245,000
Florida Farmworkers Council	A project to test the concept of providing low-income food shoppers with computer printouts indicating best buys at local supermarkets, in terms of both price and nutritional content	$ 13,000

Question: What activities are provided through these grants?

Answer: A brief reference to each grantee's focus has been provided above. In general, national grantees provide program support for the CFNP by serving (a) as a resource for CSA and USDA in the efforts of these agencies to implement the various food assistance programs established by Congress and (b) as trainers and technical assisters for CFNP grantees at the regional, state and local level. The assistance rendered covers not only the federal feeding programs but also self-help projects and food banks.

Question: Have the program managers developed more specific performance indicators for national grantees as directed by the CSA inspector general?

Answer: The Inspector General made two basic recommendations for improving the management of CSA's national CFNP grantees. The first recommendation was that the program office take steps to insure better coordination and non-duplication of effort among these grantees, while the second urged the development of a better system for assessing the quality of grantee performance. In respect to the first recommendation, grantee work programs for 1981 were redesigned to eliminate overlap. For example, FRAC has been instructed to phase out its CSA-funded child nutrition activities and to apply grant funds exclusively to activities relating to the Food Stamp Program.

Similarily, the Children's Foundation will no longer use grant funds for food stamp projects but will confine itself to the area of child nutrition. In addition, two national grantees---the California Rural Legal Assistance Food Law Project and the Children's Rights Group---have been dropped partly on the grounds that their activities were duplicative of those being performed by other national grantees. Finally, a new system for the review of applications for national grants has been established which insures that all applications are reviewed in juxtaposition with each other rather than separately in order to eliminate any trace of duplication.

In respect to the second recommendation that more specific performance indicators be developed, program managers have responded by requiring grantees to adhere strictly to the provision in the CFNP Rule published in May, 1980, that applicants for CFNP funds state the the projects's goals "in specific and measurable terms" and that the activities and tasks related to these goals "be described in detail in the project narrative". In addition, the Agency has initiated an in-depth third party assessment of each national grantee and reports have already been filed on three of these grantees (including an analysis of the "performance indicator" problem, and suggestions on ways of introducing greater specificity in grantee work programs, so that their performance can be more adequately assessed.

NATIONAL YOUTH SPORTS PROGRAM (NYSP)

Question: How many youngsters does this program serve annually?

Answer: The NYSP annually serves over 53,000 youth between the ages of 10 through 18. In 1980 and 1981 approximately 54% were boys and 46% girls.

Question: Does the National Collegiate Athletic Association (NCAA) provide any funds?

Answer: The NCAA's annual contribution to NYSP consists of a full time Project Director $42,250; Business Manager $30,055; and Secretary $11,065. Each of the staff members occupy space, utilize equipment, postage, etc. at no cost to the program. In addition, the NCAA annually provides national television promotions for the NYSP which is estimated at over $300,000. During the 1980 Summer NYSP, the 138 colleges and universities contribution to the program totaled $7,837,803.52. The institutions contribution is totally in-kind and includes staff time (Project Administrators), facilities and equipment.

Question: Could the program be continued if CSA support were withdrawn?

Answer: The NCAA would have difficulty continuing the NYSP without the financial support of CSA or some other source. Contrary to popular belief, the funds generated by the NCAA through national television sports broadcasting is channelled back into the over 800 member institutions athletic programs. In fact, over the past few years these funds have fallen far short of the costs necessary to operate these athletic programs which has been compounded by the high rate of inflation and the implementation of Title IX requirements to establish quality athletic programs for women.

Question: How does the program fulfill the mission of CSA?

Answer: The NYSP fulfills the mission of CSA through the impact the program has on the lives of economically disadvantaged youth by providing them an array of developmental experiences which enables them to see the value of higher education and to learn about various career opportunities available to them. The NYSP utilizes the magic of sports to provide counseling in educational and career opportunities, which is reinforced in a very practical way by the fact that many of the student athletes and college instructors in the NYSP come from backgrounds similar to the poor youth in the program. These staff members serve as role models for poor youth who say to themselves, "I can be somebody too." The pervasiveness of this reaction is attested to by the significant number of youth who return to the program year after year and by the significant number who have gone on to college and worthwhile careers.

The motto of the NYSP is to "walk tall, stand tall, talk tall" and be self-sufficient citizens. This we believe adresses some of the roots of the problems of poverty in setting positive images and role models for poor youth.

NATIONAL CENTER FOR COMMUNITY ACTION

Question: CSA has been supporting a national training center, the National Center for Community Action, since 1975. Although an outside evaluation of NCCA in 1978 found the center's training to be of marginal effectiveness and its other activities were not cost-effective, CSA has continued to fund the center at approximately $500,000 per year. Why is the National Center for Community Action still being funded?

Answer: The evaluation of NCCA training found, that although expensive, the training was well presented and well received. CSA has worked with NCCA to reduce the scope of the training provided in an effort to make it more cost effective. As a result NCCA's funding has been reduced from nearly $900,000 in 1977 to $350,000 currently.

Question: What types of services does the center provide?

Answer: NCCA's program is to conduct research, reporting and editorial services for publications distributed to CAAs and other CSA grantees. These publications contain detailed information needed by local program operator to anticipate and understand changes in Federal programs and to share information about successful programs.

RURAL DEVELOPMENT LOAN FUND

Question: What is the current status of the Rural Development Loan Fund?

Answer: The Rural Development Loan Fund is currently an active program with ongoing review and analysis of applications proceding as business as usual.

Question: Have any loans been made?

Answer: In 1980, 20 loans were made totaling $20.0 million. To date in 1981, 5 loans have been made totaling $5.0 million.

Question: How much money remains in the fund?

Answer: The Rural Development Loan Fund has assets totaling approximately $33.0 million. Remaining in the 1981 appropriation is $5.0 million of which $2.0 million is loan guarantees.

Question: What provisions does CSA have to ensure against loan failure?

Answer: Each loan is made through a signed loan agreement. The community based organization routinely puts its assets at risk to secure the loan.

Question: If CSA funds are consolidated into a Block Grant to states what would happen to this loan fund? Would it be returned to FHA for administration?

Answer: The design for including CSA funds into a Block Grant to states does not encompass a developmental program such as RDLF. The Agency is in the process of investigating the appropriate vehicle for administering the program.

CAAs - ADMINISTRATIVE ABILITIES

Question: CSA has been congressionally mandated to strengthen the administrative abilities of smaller community action agencies. What progress have you made in achieving this goal?

Answer: CSA has established a base funding level of $150,000 which has been met for nearly all small CAAs. CSA based this level on the estimated amount needed for staff and other resources to meet all administrative requirements. The 40% reduction of paper work under GPMS and the rewriting of major CSA rules in simple English was an especially welcome effect on smaller agencies which are unable to afford highly specialized staffs.

Question: How much has been spent so far in improving administrative abilities?

Answer: Approximately $10 million of the 1977 local initiative increase and $6 million of the 1979 increase went to small CAAs for improving their management capabilities.

Question: How do you evaluate administrative effectiveness? What is considered minimally acceptable?

Answer: CAAs must be able to plan and carry out social service projects according to planned schedules and program regulations. They must maintain a fiscal system which can be certified as adequate to protect Federal funds. They must be able to assess their operations and make appropriate adjustments to improve performance.

Question: Are all CAAs now operating at a minimally acceptable management level?

Answer: No. At any given time ten to fifteen percent will display some subminimal performance.

Question: If not, what are your plans for those CAA's who are failing to provide capable management?

Answer: The Grantee Program Management System provides new monitoring procedures which should allow earlier detection of poor management. Wherever such problems are located, unless loss of fiscal control is present, the CAA is given a program to improve its management. If it fails to improve, it is denied further funding and terminated. In the vast majority of cases, the CAA is able to improve its performance enough to meet Federal standards.

MISMANAGEMENT AND INEFFICIENCY

Question: What specific cases of fraud and abuse have been uncovered in the agency by the Inspector General during the last year?

Answer: Seventy-eight (78) cases of fraud and abuse were handled by the CSA Inspector General during fiscal year 1980. A detailed chart has been provided to Committee staff.

Question: Who in CSA is accountable for correcting the problems uncovered?

Answer: The Director, Community Services Administration, is accountable for correcting the problems uncovered by the Inspector General.

Inspector General reports which contain information about fraud or other criminal acts are transmitted to the Director with a request for a written response within 15 days from the date of transmission. Other Inspector General reports which focus on deficiencies in management, program or financial systems, operational efficiency and effectiveness deficiencies, are transmitted to the Director with a request for a 30 day response.

Regular follow-up is an essential component of each report. Each Assistant Inspector General is responsible for follow-up action to ensure that corrective action is adequate and for advising the Inspector General of problems identified and the corrective action taken.

Question: Have you demoted or fired program managers for inattention and negligence to waste and fraud issues?

Answer: Yes.

Question: Have you discontinued grants and sponsorships for inattention and negligence to waste and fraud issues?

Answer: Yes. The most common reason for termination is loss of fiscal control which may result in waste or fraud.

STATE ECONOMIC OPPORTUNITY OFFICE

Question: The function of State Economic Opportunity Offices is to increase the participation and involvement of states in anti-poverty programs in CSA and other agencies. Has the state share of Community Action Agencies' expenses increased and the Federal share of CAA expenses decreased as a result of these state poverty offices? Cite examples.

Answer: CSA knows of no example where SEOO efforts lead to a displacement of Federal funds with state funds.

Question: Could the Community Action Agencies survive without Federal support?

Answer: Only if an alternative source is developed both for primary funding and admininstration. Although 89% of CAAs are non-profit corporations organized under state laws, there is no known instance where a CAA continued to operate where Federal support was withdrawn.

Question: Do you anticipate the survival of Community Action Agencies if the funds now going to CSA become part of a block grant to states?

Answer: There is a good chance. It depends on whether the states decide to fund their general administration. Some will and some will not, depending on their effectiveness in helping the poor and their relations with state and local governments.

Question: Do you recommend the perpetuation of Community Action Agencies if the funds now going to CSA become a part of a block grant to the states?

Answer: Yes. The value of a good Community Action Agency would exist regardless of the source of funds. Since the establishment of a CAA is now done under the auspices of Federal law, some alternate legislation and administering mechanism would be needed to replace current statutory authorities and CSA administration.

SENIOR OPPORTUNITIES AND SERVICES

Question: How does the Senior Opportunities and Services program relate to services provided by the grantees of the Administration on Aging?

Answer: The Senior Opportunities and Services (SOS) program relates to the Administration on Aging (AoA) at the national, regional, state and local levels. Consistent with Section 609, of the Community Services Act, which promotes cooperation and coordination with other agencies, the two agencies in question have a national interagency support agreement to be implemented at the national, regional, state and local levels; an interagency information and referral task force agreement; a White House Conference on Aging (WHCoA) agreement concerning a WHCoA Low Income Elderly Mini-Conference(s); and an interagency energy agreement. Many of CSA's Community Action agencies also serve as the AoA's Area Agencies on Aging that carry out comprehensive planning, nutrition programs, and ancillary services.

Question: How do the programs differ?

Answer: The SOS program differs from the programs of the AoA by the fact that all of the SOS projects nationwide, Puerto Rico and the Virgin Islands are targeted specifically on low income senior adults. Whereas the AoA is funded to provide services to all senior adults, regardless of income levels.

Question: Is there coordination between SOS grantees and Administration on Aging at the local level?

Answer: Yes, general speaking, although there are some programmatic differences and emphases that occassionally occur, but the local CAAs and Area Agencies on Aging usually cooperate and coordinate their efforts because the program directors and governing boards are acutely aware that both programs are needed and many unmet needs still remain.

Question: Is there coordination between CSA and the Administration on Aging at the national level?

Answer: There has always been coordination at the national level through exchange of funding data and programmatic instructions.

Question: Has the SOS program been evaluated? If so, what were the results?

Answer: There have been two evaluations of the SOS program. One was conducted in 1970 and one is presently underway. The first evaluation sampled thirty-three SOS programs. Some of the major findings were that program participants averaged seventy years of age and had incomes below the poverty line. Forty percent of the participants were Hispanic, Black, Native American or Asian. SOS programs were generally integral parts of the CAA. Coordination with other agencies was not well developed. The SOS programs tended to emphasize service over advocacy or community organizing and the services were primarily social and recreational activities. The programs were popular in their communities.

The current evaluation is presently underway in the Office of Policy, Planning and Evaluation. Preliminary findings indicate that there is still a primary emphasis on service delivery. SOS programs now cooperate to a greater degree with AoA service programs to make Title XX and Older Americans Act services accessible to the low income elderly, especially isolated rural elderly. SOS programs continue to effectively target the poorest elderly. Data from 115 SOS programs reveals that the median number of low-income elderly persons served is 1400 per SOS program. There are SOS programs in CAAs across the country. Health and nutrition are now the areas of greatest emphasis.

MODEL HEALTH ADVOCACY PROGRAM

Question: Was a program developed? If so, how do you plan to implement the program?

Answer: Yes, a program has been initiated. When completed the project will result in several products that can be used to replicate health advocacy activities: (1) A training manual presenting the various advocacy models and incorporating whatever changes are suggested by evaluation procedures. It will include information on the planning and training processes, how to fit the various advocacy models to local needs, and on resources available nationally, such as audiovisual materials and consumer education information, (2) a slide tape presentation describing the project will be prepared, accompanied by a user's manual.

Dissemination and replication of project findings will be undertaken on the local, state, and national levels.

COMMUNITY FOOD AND NUTRITION PROGRAM

Question: The Community Food and Nutrition Program is designed to supplement the larger Federal feeding programs run through the Department of Agriculture. What types of programs are funded through this program that are not funded through the Department of Agriculture?

Answer: Community Food and Nutrition (CFNP) activities break down into three broad categories: (1) "Access" activities which aim at the improvement of USDA's feeding programs; (2) "Self-Helf" activities whose purpose is to assist the poor in helping themselves through such projects as family and community gardens, canneries, gleaning, food coops etc. and (3) "Food Supply" and "Crisis Relief" activities which aim at mobilizing private sector resources, for example, donations of surplus food, by grocery manufacturers, to CSA's network of food banks and emergency food pantries.

It should be noted that in 1979 the Senate Appropriations Committee urged CSA to strengthen the self-help and private sector components of the CFNP. The increasing emphasis on such activities is shown by the following figures:

Activity	% of CFNP Budget in FY 1979	% of CFNP Budget in FY 1980
Self-Help	13.0	17.0
Food Supply	.0	5.2
Subtotal	13.0	22.2
Access	66.0%	50.5%
Crisis Relief	1.7	4.1
Nutrition Education	1.1	3.9

In other words, in 1979 Access activities, i.e., activities which relate to USDA's feeding programs, consumed roughly two-thirds of the CFNP dollar. In FY 1980, the Access portion of the CFNP budget declined to 50%, with self-help and private sector activities moving up from 13% to 22%.

It is clear that self-help and private sector projects do not duplicate any programs conducted by USDA. The question is: how do CSA's Access activities differ from USDA programs and why are they needed in addition to programs?

Access activities are basically of two kinds: monitoring activities which are aimed at institutions are designed to influence institutional behavior and outreach activities which are aimed at needy individuals. The institutions which are the target of CFNP monitoring activities are primarily USDA and the various state and local welfare bureaucracies which administer the publicly-funded feeding programs such as the Food Stamp Program, the School Lunch Program and WIC Program. The authority for CFNP grantees to monitor the agencies administering these programs is found in Title IX of the Economic Opportunity Act. USDA has itself invited CSA to carry out its statutory mandate for 3rd party or independent monitoring of USDA's feeding programs in the following words: "We (i.e. USDA) can write the rules...but we cannot peer into every community in this land to see how our programs reach people...how they function...and how they can be improved. CFNP must see this (monitoring) function as its major responsibility. "(Needless to say, the independent monitoring carried out by CFNP grantees does not replace the internal monitoring of its own programs that USDA itself is required by law to carry out.) The need for CSA's monitoring activities can be better understood if we consider them in the context of CSA's role as ombudsman for the poor. It is well known that the various welfare bureaucracies frequently become part of the problem faced by the poor. CSA is the only federal agency which can, without a conflict of interest, stand with the poor on this side of the window which separates the poor from the agencies dispensing the benefits. A similar rationale supports the involvement of CSA in outreach activities (see answers to the next three questions).

Question: Does the Community Food and Nutrition Program continue to conduct outreach for USDA nutrition programs? Does USDA itself conduct any outreach?

Answer: First it should be pointed out that all of CSA's community action agencies (CAA's), whether or not they receive a CFNP grant (less than half do) have outreach responsibilities in all areas of need, including the food and nutrition needs of the poor. To carry out these responsibilities, the CAA's collectively have at their disposal what is probably the best organized and best trained network of outreach workers in the country. These workers do not function merely as social workers but also as ombudsmen, and therefore have forged strong links with their clients. Consequently it makes sense for USDA to turn to these workers for help rather than to recruit and train another whole network of its own to do food stamp outreach. This does not mean that USDA is not (or should not be) sharing the outreach burden. As a matter of fact, USDA's final rule and food stamp outreach published on November 6, 1979 (Ref. 7 CFR Part 272) clearly provides for an outreach partnership between CSA and USDA, with USDA coordinating the overall effort to prevent duplication. Typically at the local level the partnership consists of USDA providing half the outreach costs (with state or other local agencies providing the other half) and a CAA providing the workers, under a contract arrangement with the State agency.

In its Community Food and Nutrition rule published in May, 1980, CSA discourages the use of CFNP funds for direct service activities such as outreach, in the hopes that such activities will be paid for from other CAA funds. Whatever the source of funds, strong emphasis is placed on leveraging USDA dollars to cover half the cost. We have no good figures on the amount of local initiative and/or CFNP funds that have been applied to outreach for the federal feeding programs. The total allocation in 1980 for local CFNP projects was $15 million.

One half of this or $7.5 million went for Access projects where the focus was largely on advocacy and monitoring activities rather than on one-on-one outreach activities. It is doubtful that more than $3 million of the CFNP total of $25 million for local projects was used for outreach activities. USDA, by the way, has reported that USDA's "matching half" of the national food stamp outreach bill of $7 million was $3.5 million. One cannot infer from this that the other half was furnished from local initiative or CFNP funds since in many instances the States used their own funds for the match.

Question: Have you developed any interagency agreements with USDA that would guard against duplication?

Answer: CSA has not developed an interagency agreement in the formal sense, but de facto, the equivalent of such an agreement exists at two levels. At the Federal level, both CSA and USDA have spelled out in their respective regulations the nature of the outreach partnership and have described in detail each others' joint responsibilities. At the State and local level, State agencies on the one hand and CAA's and CFNP grantees on the other, are equipped with all the information they need to enter into contractural agreements for sharing the outreach burden. These joint efforts greatly minimize the possibility of duplication. USDA, for example, will not provide funds for non-informational outreach where a CAA is already providing such outreach. It must be emphasized that according to USDA's rule on outreach, it is USDA and not CSA which is responsible for coordinating the overall effort to prevent duplication.

CSA REPROGRAMMING

Question: On the average, how many reprogramming requests are granted each year?

Answer: Over the past several years, the transfer authority in Section 616 of the EOA has been used to a minimal extent. As operating plans are developed by the program offices and eventually approved by the Director of CSA, the transfer authority is considered if the plan of one program office exceeds the initial congressionally recommended program amounts. Although the Director of CSA may approve an operating plan which eventually results in a transfer, the actual transfer does not take place until funds are actually allotted to the program office. Over the past four fiscal years CSA has transferred an average of $8.4 million between appropriated line items.

Question: How many reprogram requests were granted in fiscal 1981? How much money was transferred in these reprogrammings?

Answer: Before Richard Rios, the prior Director of CSA, resigned, he had approved operating plans which transferred approximately $11.8 million between appropriated line items. Almost all of these transfers were made before he left at the end of January.

Question: Would you submit for the record a list of all reprogramming requests granted in fiscal years 1980 and thus far in 1981?

Answer: The following tables detail the Appropriations, Transfers, Obligations and Allotment for fiscal year 1980 and fiscal year 1981 as of March 15, 1981:

1980 Appropriation Distribution As of September 30, 1980
(in millions of dollars)

	Appropriation	Section 616 Transfers	Allotments	Remaining Funds
Local Initative	$384.3	$ -4.3	$380.0	$ ---
Seniors	10.5	-1.3	9.2	---
State Offices	7.5		7.5	---
Nutrition	28.0	-.1	27.9	---
Energy- Demos.	3.7	+.5	4.2	---
- Crisis Interv.	396.6		396.0	.6
- Sp. Assistance	1,195.0		1,195.0	---
- Heat Relief	26.0a/		24.8	1.2
Summer Recreation	10.0		10.0	---
Youth Sports	6.0		6.0	---
Demonstrations & Sp. Assist.				
- Rural Housing	6.0		6.0	---
- Employ. & Training	2.5	+.2	2.7	---
- Other	2.5	+2.9	5.4	---
Migrants	1.0		1.0	---
Technical Assistance	2.0		2.0	---
Evaluation	1.0	+1.5	2.5	---
Economic Development	44.5		41.6	2.9b/
Credit Unions	6.0	+.7c/	5.7	1.0d/
Program Administration	41.5	-.1	41.4	---
	$2,174.6a/	$ -0-	$2,168.9	$ 5.7

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a/ Includes $21 million temporary transfer from the Rural Development Loan Fund pursuant to P.L. 94-321.

b/ Multi-year funds available for allocation in 1981.

c/ Management development assistance not available directly from the $6 million appropriation.

d/ Revolving funds available for allocation in 1981.

1981 Appropriation Distribution As of March 15, 1981
(in millions of dollars)

	Appropriation	Section 616 Transfers	Allotments	Remaining Funds
Local Initiative	$ 394.3	-11.4	$ 278.5	$104.4
Seniors	10.5	-1.1	6.9	2.5
State Offices	3.8	---	3.2	.6
Nutrition	26.0	.1	9.3	16.8
Energy	3.7	---	3.7	---
Energy Crisis	89.4a/	---	87.3	2.1
Sports	6.0	---	---	6.0
T/TA	3.2	.5	3.7	---
CED	48.5	2.1	26.2	24.4
Demos.	1.4	7.0	7.1	1.3
Rural Housing	3.5	---	2.4	1.1
Evaluation	1.0	1.8	2.3	.5
Administration	39.7	1.0	20.5	20.2
Totals	$ 631.0	$ ---	$ 451.1	$179.9

a/ Transfer from HHS

Question: Why have you not kept Congress informed of your reprogramming activities?

Answer: We have kept the committee members informed as transfers have been made. A final 1980 report on transfers was sent to committee staff members of both Houses of Congress on October 31, 1980 and as no transfers were made in the first quarter of fiscal year 1981 we would normally not send the first report until after the end of the second quarter or sometime after March 31, 1981.

COMMUNITY ACTION AGENCIES - MISSION

Question: The composition of the poor population, their problems, and the income assistance programs that address their needs have greatly changed since the inception of the first Community Action Agencies in 1964. Has CSA addressed the changing needs of the poor by updating and refocusing CAA programs? If so, how?

Answer: CAA programs are required by law to change as the needs of the population they serve change. A recent example of this was the provision of weatherization and crisis intervention services as the price of fuel has increased over the past six years. A second example is the shift from direct funding programs to self-help and nutrition access activities as food stamps become more and more available to reduce the basic problem of hunger.

Question: Would you provide the subcommittee with a list of your 50 most successful CAAs, and give us some examples now?

Answer: Since every community action agency is required to adopt an overall program that meets the locally identified needs of the poor in its community, it is impossible to create a national rank-ordering of the "best" to "worst" CAA. The "best" CAA would be the one which most accurately determined the needs of the community it served and most effectively implemented programs to meet those needs.

GRANTEE PROGRAM MANAGEMENT SYSTEM (GPMS)

Question: The Community Services Administration has recently developed an extensive grant auditing and evaluation procedure, called the Grantee Program Management System. All CAAs are to be operating within the guidelines of the system in five years. Why is CSA changing to this system?

Answer: The existing system had major weaknesses resulting from unclear policies and lack of any national monitoring procedures. Grantees did not clearly understand what CSA expected of them and CSA staff did not feel it had standards for the conduct of its monitoring functions.

Question: What does the new system do?

Answer: It establishes requirements for a CAA to follow in program planning and operation, and performance assessment. It clarifies and strengthens the responsibilities of the CAA board; require greater input in the program from both the low-income and general communities served, and establishes a national system for CSA to monitor the performance of CAAs.

Question: Have final regulations for the GPMS been published yet?

Answer: Yes. They appeared in the Federal Register on January 4, 1981.

Question: What is CSA doing to prepare CAA administrators for the inception of the new management system?

Answer: CSA is currently conducting training for CAA staff and boards. To date all ten regions have conducted orientation training for approximately 5,000 CAA personnel. Seventeen training modules have been developed to assure uniformity of training in regionally conducted sessions. CSA plans to continue training through mid-summer with special emphasis on the critical skills needed to make GPMS work well.

Question: Have there been problems with the GPMS being beyond the capacity of local CAA management to comprehend and administer?

Answer: No. During the field test, several small CAAs felt the system might be too sophisticated. Subsequent changes and development of training aids have appeared to answer this problem. The GPMS system is being very well received by CAAs once they have been through orientation training.

Question: How much paperwork and time is involved in initiating and maintaining the grantee management system?

Answer: GPMS reduces paperwork for grantees by more than 40% over current requirements.

Question: The Community Action Agencies have always focused on "Local Initiative" in order to tailor their program to the needs of the locality. Will conforming to the Grantee Program Management System interfere with "Local Initiative"?

Answer: GPMS is entirely based on the local initiative concept. Adhering to the requirements of GPMS will insure that all elements in the community have a voice in planning, administering, and evaluating the CAA program. GPMS strengthens local initiative since the system it replaces often does not result in true local planning and decision-making for programs.

MANAGEMENT INFORMATION SYSTEM

Question: CSA is developing a Management Information System to provide comparative analysis for all grantees. What is the status of CSA's development of a Management Information System?

Answer: A management system for program information has been designed and tested in Region X. It is ready for installation in other regions.

Question: Has the prototype developed in Seattle been evaluated or implemented in any other regional offices?

Answer: The Region X pilot has been evaluated. It has met all of the objectives set for it. Depending on the results of tests with alternative equipment, CSA will either install this new system one region at a time or in all regions simultaneously. The remaining question is whether or not existing equipment can handle the information system or whether upgrading will be needed.

Question: What would be the cost of nation-wide implementation?

Answer: If currently installed equipment is usable, the costs can be borne within the original CSA request for administration. The annual leasing costs for our distribution data processing system is approximately $200,000 nationwide.

INNOVATIVE ANTI-POVERTY PROGRAMS

Question: For fiscal 1981, CSA requested an additional $25 million for a special grant program for Community Action Agencies using innovative antipoverty approaches. Has this program been initiated?

Answer: No. The initial program guidance is scheduled to be promulgated in late March.

Question: Have any grant awards been made?

Answer: No.

Question: National standards of effectiveness to be used in making these grants were to be published in the Federal Register in late 1980. Have they been developed and published yet? If so, what are they based upon?

Answer: CSA published a final rule establishing a new program management system in January. Among other things, the rule establishes the relationship of the Standards of Effectiveness (45 CFR 1067.4) to current work programs.

Question: What are your plans for evaluating and replicating those approaches that prove successful?

Answer: CSA has established a national quality review system for evaluating certain elements of CAA programs. Successful results with reports of methods employed will be reported by CSA field staff.

RURAL COMMUNITY ACTION AGENCIES

Question: In hearings before the Senate Appropriations Subcommittee last year, then-CSA Director Graciela Olivarez said rural CAAs have been historically underfunded compared with urban CAAs. Why do these disparities exist between rural and urban CAAs?

Answer: Some rural CAAs are very well funded compared to national averages or urban CAAs. The key to understanding individual funding levels depends on knowing the appropriations history of OEO and the mixture of Head Start and CAA funds prior to 1972. In general, rural CAAs were formed later than urban CAAs and had a higher percentage of Head Start in their total program. During this period there was slower growth of Local Initiative. Head Start was included in basic CAA fundings. When Head Start was transferred to HEW, the basic OEO/CSA basic funding level was reduced.

Question: What is CSA doing to eliminate these disparities?

Answer: Increases in local initiative in 1977 and 1979 went disproportionately to relatively underfunded CAAs. A minimum funding level target was established and 90% of rural CAAs were brought up to this target.

Question: Would additional funding be necessary to eliminate these disparities? If so, how much?

Answer: Approximately $54 million.

LOCAL INITIATIVE FUNDS

Question: In late 1979, CSA placed a moratorium on further use of local initiative funds for economic development ventures. GAO and the House Appropriations Committee had been highly critical of the use of local initiative funds for such purposes. Is the moratorium still in effect?

Answer: The moratorium is not in effect. Before local initiative money can be spent for business development, CSAs regulations require a rigorous review of the proposal for feasibility and proper administrative controls. CSA has not made any new local initiative funds available for this purpose and has no current plans to do so. To date no CAAs have submitted applications to use their existing local initiative funds for this purpose.

Question: How much local initiative funding has been used for this purpose?

Answer: In the past two years no local initiative funds have been approved to start businesses.

Question: Are there any instances that would justify using local initiative funds for economic development?

Answer: The proper involvement of CAAs in economic development includes planning support, job training, neighborhood organization, program technical assistance, and similar services. These services are supported at least in part by local initiative. At the present time, CSA does not consider it likely that local initiative funds can be used effectively by CAA's to start profitable business ventures and has received no requests for use of funds in this manner.

Question: If so, does CSA plan to lift the moratorium at some point?

Answer: With the publication of new regulations for funding Title II Economic Development, the moratorium expired. This is academic, however, since CSA has no funds for this purpose and has received no requests to date.

Question: What controls have been developed for the use of local initiative funds for economic development?

Answer: Under CSAs new regulations, any application for Title II funds for economic development must include feasibility and market studies that support the viability of the proposed venture and a business plan including the qualifications of those proposed to operate the venture. These documents would be reviewed by business analysts for their adequacy. After funding, the progress of the venture would be monitored according to the normal cycle or, if warranted, on a cycle established from information in the business plan.

STATE ECONOMIC OPPORTUNITY OFFICES

Question: In Fiscal 1980, the Federal appropriation for State Economic Opportunity offices was reduced almost by half, and the state matching share was increased to 50 percent. Have grantees been able to furnish this matching share?

Answer: Yes. In the current fiscal year no state has indicated any problem meeting NFS requirements.

Question: Have any waivers of the non-Federal share been granted?

Answer: In the first year at the new matching rate, over half of the state's required waiver of the NFS. Currently none require waiver.

Question: What are the current responsibilities of SEOOs?

Answer: Coordination of state-funded anti-poverty efforts with CAA activities, provision of policy inputs on poverty problems and state efforts to the governors, and provision of technical assistance to CAAs are the required activities for SEOOs.

Question: Has any evaluation of their effectiveness been conducted? With what results?

Answer: We have an on-going contract for the assessment of SEOO's which will present its final report in May of this year. Preliminary results are:

- Median SEOO funding is 12.3 million dollars. Less than two percent of this money comes from CSA. CSA's funds, however, are the discretional administrative funds that provide for the generation of other program funds. The chief program concern of SEOOs is energy and energy-related issues.
- SEOOs have a choice in the roles they play but most SEOOs are emphasizing resource mobilization for the low-income, training and technical assistance to CAA's program operations, advisor to the governor and advocate for the low income at the state level.

Sixty percent of SEOO Directors report they have weekly contact with their governor or the governor's staff.

SEOOs are viewed by senior state officials as being very effective.

Question: What programs, if any, do state poverty offices operate directly?

Answer: The most common programs operated by the units of state government which serve as SEOOs are: balance of state CETA; low-income home weatherization; and portions of the low-income energy assistance program. The actual mix of programs varies on a state-by-state basis.

Question: What role have the state poverty offices played in energy assistance programs?

Answer: In virtually all instances, SEOOs were a vital link between CSA and state governments in getting the 1980 energy crisis assistance program (ECAP) established and operating. The role of the SEOO in actual operation has varied depending on the structure of individual state governments and their assignment of function. Very few SEOOs operate the current program in its entirety. Most have been assigned outreach functions. Some have no role.

Question: Does CSA provide financial assistance to any State association of Community Action Agencies?

Answer: Yes. State associations operate CSA grant programs in 27 states.

Question: Do these associations exist in every state?

Answer: No, but they exist in the majority of states.

Question: How do they interact with the State Economic Opportunity Office?

Answer: In most states there is a very cooperative but informal relationship between SEOOs and state associations. Associations exist principally to promote the interest of CAAs and their low-income constituency.

TRAINING AND TECHNICAL ASSISTANCE

Question: What is the current status of CSA's development and delivery of training for the installation of the new Grantee Program Management System?

Answer: By the end of March nearly all CAAs will have received their initial orientation to GPMS. A 17-module training plan has been developed for use by CSA field staff. Approximately 5,000 CAA board and staff have participated in GPMS training.

Question: Are the training packages being developed in-house or by contract?

Answer: Both by CSA and contractors.

Question: What portion of the total training and technical assistance budget is going toward the training of board members, executive directors, and regional field office representatives?

Answer: Of our general T&TA expenditures 52% in 1980 and 50% in 1981.

Question: What problems are you encountering in comprehension of the new Grantee Program Management System?

Answer: There do not appear to be any significant problems in comprehension among those who have completed orientation training.

Question: How much money has been spent on the development of and training for the Grantee Program Management System, and how much more money do you intend to spend?

Answer: Total development and training costs over the past three years to date have been $1.4 million. CSA plans another $250,000 expenditures for further training this year.

Question: How much do you anticipate the Grantee Program Management System will save CSA in fraud, waste, and abuse?

Answer: The GPMS is designed to promote more effective use of grant dollars by CAAs.

Based on a conservative estimate of 10% improvement in program management due to GPMS 38 million CSA grant dollars and 200 million other Federal dollars administered by CAAs would be "saved" through more effective applications in solving local poverty problems.

Question: What percentage of CSA's training and technical assistance is geared towards fiscal management and improvement of administrative capabilities and what portion of the training is concerned with service delivery?

Answer: Other than the GPMS training, nearly 100% of the CSA staff-led training is geared toward fiscal and administrative management. Certain CSA programs such as Community Food and Nutrition provide service training through specialized non-CSA providers.

Question: Is special training being provided to field representatives who monitor large urban community action agencies?

Answer: Not at the present time.

COMMUNITY DEVELOPMENT CORPORATIONS

Question: How many Community Development Corporations (CDCs) currently are classified Institutional, Operational, Transitional, Probationary or in the Planning Stage?

Answer: There are currently 16 Operational CDCs, 20 Transitional CDCs, and no CDCs in the Institutional, Probationary, or Planning status categories. Funding is being discontinued for two other CDCs.

Question: How long is a CDC allowed to remain Transitional or Probationary?

Answer: Optimally, a CDC should not remain in Transitional status for more than three years, and a CDC which is downgraded to

Transitional from Operational status should be able to correct its deficiencies in substantially less time. However, the local environment or special circumstances may pose developmental problems which prevent a CDC from attaining Operational status in three years. Accordingly, as long as a CDC continues to make reasonable forward progress in both its institutional development and programmatic performance, it may continue in Transitional status beyond three years.

Probationary CDCs receive only administrative funding, and for periods of up to one year.

Question: Have any CDCs yet "graduated" and no longer receive administrative support from CSA? How long before any CDCs reach this stage?

Answer: Four CDCs are currently in the first year and a fifth in the second year of a scheduled five-year phase-out of administrative funding. One CDC has voluntarily ended its funding relationship with the CSA; it considers itself administratively self-sufficient.

Question: How are the CDCs evaluated and monitored?

Answer: CSA provides a monitoring visit six months prior to the refunding of any CDC. The trip is to observe, vis-a-vis the CDC's grant and Overall Economic Development Plan, the grantee's progress in meeting stated goals and objectives, and to check for compliance with CSA regulations and the grant's special conditions. Included are reviews of the personnel management system, the board composition, audit history, administrative expenditures, and progress toward meeting program and organizational goals for the funding period -- in short, any area, both general and specific, in which the CDC is involved. Grantees are also required to submit quarterly and annual reports which provide detailed data on financial and programmatic progress, Board minutes, personnel changes, etc. These are reviewed by the program managers as they come in and again immediately before the pre-funding visit. This visit usually involves key Board and staff members of the CDC coming to Washington, D.C., to develop a proposed budget and work plan with their program manager. (In some instances, usually where the program manager has only recently been assigned to the grant, this visit may take place at the CDC.) At every major step in the funding process, Office of Economic Development Senior Council, a committee of OED's supervisory staff, evaluates all the items cited above, leading to a decision on the proper classification of the CED, funding levels, goals, and conditions.

In addition a comprehensive outside contract evaluation of the CDC program is underway, to be completed in September.

Question: If the CSA funds are consolidated into a block grant to states, what do you anticipate the future of existing CDCs to be?

Answer: Existing Title VII CDCs are likely to share an uneven future if CSA funds are consolidated into block grants to states. The block grants will be administered according to legislation which

These 140 ventures represent businesses intended to be profitable and job-producing. Ventures in the last four excluded categories represent ventures which are expected to simply break even or which require subsidy. These 140 ventures have an annual payroll of approximately $60,000,000. Many are already profitable and most are meeting projected timetables for achieving profitability within the number of years normally expected for new or expanded businesses.

The impact of this can be seen in a summary of the financial activities of TENCO Developments, Inc.--one of the smaller Operational CDCs. Community benefits, not counting a "multiplier effect", and return on the Federal investment are both apparent.

TENCO Developments, Inc.

Summary of Financial Activities

1.	Asset Base of Tenco Aided Ventures	$8,365,257
2.	Total Invested in Present Ventures	3,614,000
3.	Total Dollar Leveraged in Present Ventures from Financial Institutions and Individuals	17,973,912
4.	Annual Payroll in Present Tenco Aided Ventures	4,056,000
5.	Payroll Taxes Flowing Back Into the U.S. Treasury Each Year	1,014,000
6.	Local Property Taxes Paid Each Year By Tenco Aided Ventures (direct and indirect)	250,955
7.	State Sales Taxes Paid by Ventures and Individuals Each Year	121,680
8.	Total Annual Sales in Present Tenco Aided Ventures	12,580,901
9.	Total Number of Employees in Tenco Aided Ventures on December 31, 1980	507
10.	OED Funding 1968 thru FY 1975	2,354,384
	OED Funding 10/1/75 thru 1980 (includes both Administrative Funds and Venture Capital)	5,677,000
11.	Other Federal Funds	$706,164

Beyond this, it is not possible to provide a mathematical ratio of successful vs. failed ventures because no simple definitions exist. Our concept of a successful venture includes:

1) profitability (after a specific period of time);
2) job creation/preservation;
3) payroll and other taxes generated;
4) costs of alternatives.

We would define those 140 ventures, then, as successful in that they are still viable, still contributing after the initial OED injection of equity. Even if some of them eventually are closed, they will have produced valuable benefits in these impact areas during their period of existence.

Question: Is there a network for sharing successful techniques with other Community Development Corporations?

Answer: Title VII grantees meet regularly in regional and national conferences. A key ingredient in these meetings is the sharing of successful techniques. CSA also provides grant funds to a small network of support groups which provide newsletters, publications, libraries and technical assistance based on successes and experiences of other CDCs.

Question: How successful are CDCs in obtaining capital from other public or private sources:

Answer: Although variations exist in comparing one CDC with another, on the average CDCs generate four dollars for every dollar provided by the OED.

NATIONAL ADVISORY COMMUNITY INVESTMENT BOARD

Question: What is the current status of the newly formed National Advisory Community Investment Board?

Answer: This Board has been constituted, and all positions filled. Official activities are "on hold" pending determination of (1) the new administration's intent to use the Board and (2) establishment of a budget, if any, for travel expenses. After the initial organizational meeting, one unofficial meeting was held where Board representatives met (at their own expense) in Washington, D.C. to learn more about the Title VII program. These persons indicated an eagerness to move ahead as an Advisory Board, pending signals from the new CSA administration (not yet appointed).

COMMUNITY DEVELOPMENT CORPORATION EVALUATIONS

Question: How does CSA measure the success of a Community Development Corporation venture? In particular, how does CSA measure the success of a CDC in reducing economic and social disparities in a community?

Answer: In general, CSA measures the success of a CDC business venture in terms of profitability, each return on investment, job creation and retention (quality and quanity). More specific measurements pertinent to individual ventures are included in business proposal and approval. For example, if a need for later additional capital was projected for a given venture, in line with a projected expansion, such an additional capital injection would indicate success. On the other hand, another recapitalization might indicate an inability to meet the business plan and/or unexpected change in circumstances. Some ventures are designed to break even while producing significant community benefit. Other ventures, designed to develop the CDC's asset base, would not be successful if they only break even.

Physical development ventures are measured in terms of tax base increases, businesses attracted, housing units constructed or rehabilitated, and jobs created/retained.

CSA has provided funding for a national evaluation of the impact of CDCs on their communities. Until those results are determined and evaluated, CSA has no data that measures the accomplishments of the ventures in terms of reducing economic or social disparities. This requires sophisticated data gathering and analysis in order to determine cause/effect relationships. For example, given local economic conditions, it may be difficult, if not impossible, to isolate the CDC's contribution.

Question: How many jobs are generated by CDCs and their ventures?

Answer:

	Jobs Created	Jobs Maintained
Urban CDCs	1,870	7,510
Rural CDCs	845	4,000
Native Am. CDCs	89	681
	2,804	12,191

Question: How many of these are permanent, career oriented positions?

Answer: These figures are based on compilations of permanent, full-time positions. Career development is presumed to be included in all positions created or maintained by CDCs.

Question: Are there any cost-benefit data on the community economic development program?

Answer:

	Jobs Created Per Million CSA Dollars	Jobs Preserved Per Million CSA Dollars	Total Public Dollars Leveraged (000s)	Total Private Dollars Leveraged (000s)
Urban CDCs	68	273	59,700	83,200
Rural CDCs	78	367	23,400	21,800
Native Am. CDCs	59	451	1,750	5,400

The evaluation cited previously will provide considerably more data and analysis of cost-benefit ratios.

Question: What is the current status of national evaluation of Community Development Corporations?

Answer: The National Center for Economic Alternatives (NCEA) is conducting a national program strategy evaluation of the Title VII Program. As such, particular emphasis is being placed on the review of the CDC's developmental ventures and activities. The goal is to identify the characteristics of productive community development undertakings; given particular program settings, local contexts, organizational attributes and tactical decisions.

The evaluation design provides for a two-fold approach to the collection of Title VII information. Basic quantitative data will be gathered from CSA records and current program and venture audits, from Census, from CDC files and other sources of socio-economic indicators. Qualitative data and other narrative information will be taken from literature, interviews and detailed case studies of 15 CDCs.

Efforts to date have concentrated on the following:

1. identification and hiring of core staff, all key positions were filled as of January, 1981;

2. development of the revised work plan, completed in December, 1980;

3. conduct of a second pre-test and Impact 7 in Wisconsin completed in January, 1981;

4. conduct of the Expert Panel Review, held in October, 1980;

5. development of a CDC Bibliography;

6. completion of the Case Study Field Guides;

7. selection of the 15 CDCs; and

8. conduct of the first case study at East Boston CDC completed in February, 1981.

At this time the project is on schedule and no serious problems are anticipated.

DEMONSTRATIONS

Question: How is CSA currently spending its research and Demonstration budget?

Answer: Those current projects funded under CSA's Research and Demonstration authority (Sec. 232) are listed on Exhibit I.

Question: Of those projects currently funded, how many were funded previously?

Answer: For those projects listed in Exhibit I which were previously funded by the Agency, the year of initial funding has been added in parenthesis.

Question: How long does CSA generally continue to fund a demonstration project?

Answer: There has not been any consistent practice followed in recent years. The range is between one year to several years.

Question: Are all demonstration projects evaluated after a certain period of time?

Answer: Increasingly CSA has turned its attention to the evaluation of demonstration projects. Two recent studies of demonstration programs include evaluations of the Rural Home Repair Program and the CAP Incentive Program. Other evaluations of demonstration projects are in the planning stage.

Question: Does CSA make attempts to spin off successful-demonstrations to larger Federal agencies?

Answer: In recent years there have been only a few spin offs attempted. Two of those successfully spun off were: The National Demonstration Water Project and Lulac Educational Centers.

Question: Are demonstrations terminated if they are found to have limited impact? How many have ever been terminated?

Answer: Projects funded under the Agency's demonstration authority are not continued once a determination is made by the Director that they are of limited impact. A listing of such projects not continued in the past five year period appears in Exhibit II.

Question: How are research and demonstration priorities determined each year?

Answer: Funding priorities are decided by the Director based on both personal interest and recommendations from senior staff.

EXHIBIT I

	Tenths of millions
Rural Housing	$ 3.6
Migrants	.8
Native American	.6
Employment & Training	1.0
Historical Black Colleges	1.5
Education	.3
Family and Children	.4
Rural Development	.7
Veterans	.5
Economic Development	.6
Hispanic Americans	.9
Women	.2
Other	.6
	$ 11.7

Exhibit II

National Coalition of Cuban American
Mexican American Legal Defense and Education Fund
Institute for Cultural Affairs

Question: How has CSA used its Title IX authority?

Answer: CSA has used its Title IX authority in the following ways: (1) Evaluation of individual community action agencies. The annual target has been ten percent of the CAAs annually. (2) Evaluation of CSA's national emphasis and demonstration programs. (3) Evaluation of other agency programs from an anti-poverty perspective. The major studies here include monitoring of the HUD Community Development Block Grant (CDBG) program and an examination of the eleemosynary sector.

Question: Is the Evaluation of Community Development Block Grants (CDBG) still being continued with CSA assistance?

Answer: This is the final year of OPP&E support for the CDBG monitoring project. The grantee has engaged in some preliminary discussions with the Housing Division of OCA regarding continued support after December 1981.

Question: What changes have been made in the Block Grant program as a result of CSA's evaluation?

Answer: As a result of CSA's monitoring project the CDBG program has become more focused on low and moderate income communities and citizen participation has increased. The 1980 Housing and Community Development Act Amendments require clearly specified plans for economic development particularly in the area of job creation and job training. Four requirements were triggered by the first year report of the evaluators: Applicants for CDBG funds must spell out the number of jobs they expect to create, the nature of the jobs, the proportion of jobs to be filled by low and moderate income persons and the method by which they will assure that these jobs in fact go to low and moderate income persons.

The monitoring project has also contributed to change in the CDBG administrative complaints process. As a consequence of their work HUD issued an instruction in January, 1980 describing a procedure by which citizen complaints would be handled (CPD notice 80.1).

Reforms in the CDBG program on the local level include:

- 1.2 million dollars in administrative money redirected to housing in San Francisco.
- Decentralization of the hearing process and enforcement of the requirement for bilingual hearings in Los Angeles.
- Inclusion of low income neighborhoods in resource planning and allocation in Birmingham.
- Joint work between citizen monitors and the City of Philadelphia on model rental rehabilitation projects.

° HUD review of a 40 million dollar rehabilitation project which was of questionable benefit to low income persons was prompted by an administrative complaint by the local monitoring group in New York City.

Question: Has the Department of Housing and Urban Development cooperated with CSA in this evaluation?

Answer: In general HUD has been cooperative with the CSA evaluation grantee and with CSA staff. There have been joint meetings to review reports, to discuss economic development issues and to revise HUD's grantee performance report forms. HUD has on occasion sent notices to area offices encouraging them to cooperate in the evaluation. Former Assistant Secretary Embry has gone on record supporting citizen monitoring. In addition, HUD invited the CSA evaluators to provide training in one workshop for Mexican officials and another for HUD area officers on citizen monitoring. The CSA evaluation group is also on the mailing list to receive all of HUD's notices and memoranda.

Question: What other Title IX evaluations have been conducted or are planned?

Answer: For the remainder of 1981, no new Title IX evaluation initiatives are planned. CSA is continuing to support ongoing Title IX projects. For 1982, the agency has a zero budget, thereby precluding detailed evaluation planning.

The areas which have been considered for further Title IX initiatives include the following: (1) Coordination between evaluation of CSA's SOS program and a planned evaluation by HHS of its Older American Act programs. (2) Monitoring of USDA nutrition programs. (3) Monitoring of CETA from the perspective of its impact as a structural unemployment (rather than counter-cyclical) program. (4) Evaluation of Health Systems Agencies as vehicles for low income participation in health care planning. (5) Comprehensive energy evaluation, focusing on the integration of energy-related assistance activities, such as weatherization, low income energy transfer payments and energy advocacy activities. The involvement of HHS, DOE and possibly HUD along with CSA would be envisioned under an interagency energy research group.

The approach to these studies would be developed in the light of proposed social services budget cuts, block grant funding mechanisms and the safety net concept.

Question: What has prevented CSA from using this authority more fully, besides limited funding? Are there administrative barriers?

Answer: Limited funding is the major obstacle to the full implementation of the Title IX authority.

OMB review of survey research instruments under the OMB Circular A-40 process was used for requiring the clearance of departments and agencies whose programs were being evaluated. Some progress has been made in alleviating this problem, but CSA's role as an independent evaluator of the poverty-related effects of other agency programs is not well established.

A final barrier is staffing, which limits the number of evaluation initiatives CSA can undertake and manage at any given time. Under these circumstances, greater weight is given to evaluating the agency's own programs, even though from a "macro-level" perspective, the payoff for the poor might be better if evaluation concentrated on other agency programs.

Question: How many Type III evaluations have been completed in the past year?

Answer: In the past twelve months, approximately 85 Type III evaluations have been conducted. Not all the reports are in yet, so it's hard to say exactly how many have been done.

Question: Are the evaluation instruments consistent from region to region?

Answer: No, they are not. The chief utilizers of the reports have been the CAA board and staff and the Regional office staff. Therefore, each region has developed its own approach to serve its own needs.

Now that GPMS is being implemented and will cover many of those needs, we will require a standardized approach. A contractor is currently developing and is about to field test standardize Type III instruments and protocols for use by the regions.

Question: Has any attempt been made to determine which evaluation approach is most effective and cost efficient?

Answer: Yes, we are reviewing that with the contractor.

Question: Has a single approach emerged that could be used as a National Model to achieve a more standardized evaluation?

Answer: A single approach will be in place by the end of the summer.

Question: How are completed evaluations used at the local, regional and national levels?

Answer: Evaluation results are used by the grantee and the regional office to strengthen the grantees. In some instances grantees have been defunded, curtailed or reconstituted based on evaluation results and other data.

The national office reviews the Type III reports to inform policy decisions.

Question: Can they be used to compile national data on the effectiveness of Community Action Agencies?

Answer: Because they have not been standardized it has not been possible to extrapolate much national data.

Question: Are the Type III evaluations done by contract or by in-house staff?

Answer: One third are performed by contract, one third performed by grantee and the final third by CSA personnel.

Question: Will the Grant Program Management System replace any or all of the program effectiveness evaluations?

Answer: GPMS is not intended to replace the Program Effectiveness Evaluations (Type III). What it will do is impose some standardized data collection requirements on the Type III's and influence the selection of those CAAs to be evaluated.

PROGRAM ADMINISTRATION - AUDITS

Question: How many audits are currently outstanding?

Answer: 678.

Question: On the average, how long have they been outstanding?

Answer: 420 or about 62% have been unresolved for less than 12 months. Another 146 or 22% have been unresolved for 12 to 24 months. The balance of 112 are the more difficult audits to resolve because of lack of records, changing people etc. and have been unresolved for several years.

Question: What is the dollar amount of unresolved questioned costs?

Answer: $45.6 million or 17.1% of all costs questioned from July 1, 1970.

Question: How are disallowed costs recovered? Is interest charged on these funds?

Answer: Disallowed costs are recovered in three ways: Cash refunds, increase in non-federal share, and offset against next federal grant. Interest is not charged.

Question: What was the cost to CSA last year for disallowed costs incurred from CETA program operations of the Community Action Agencies?

Answer: This information is not available in CSA.

AUDITS OF COMMUNITY ACTION AGENCIES

Question: What is the current status of implementing single audits for Community Action Agencies? Have rules been published?

Answer: A draft regulation was published in the Federal Register for comment on January 29, 1981. Comments are due by March 31, 1981. In addition, guidelines have been sent to Office of Inspector General Regional Auditors and the CSA Regional Directors for their comments. The guidelines will eventually go to each private non-profit Community Action Agency for their use. These guidelines explain the single audit approach, provide financial statement formats for the audit report, provide an example of the audit contract, and a management letter which is to be included in the audit report. The management letter provides the detail of the auditor's observations and recommendations.

Question: Will the single audit procedure result in full financial disclosure by grantees of all financial holdings and activities, including profits or losses from economic development-type ventures, disposition of assets, interfund transfers?

Answer: The single audit procedure will result in full financial disclosure by grantees of all Federal financial holdings. We are encouraging the grantees to include all funds in the annual audit both Federal and private. However, we cannot mandate that all non-Federal funds be made a part of an annual audit. The current audit cognizant assignment of CSA made by OMB applies only to private non-profit Community Action Agencies and the financial activities of all programs, inlcuding economic development-type ventures, funded by Title II of the Economic Opportunity Act of 1964, as amended, will be fully disclosed. Interfund cash transfers made between funds from various sources will be examined during a single audit.

Question: What has CSA done to ensure that it gets any profits earned by dummy leasing corporations, established by grantees to purchase equipment which is then leased back to the grantees?

Answer: No CSA money may be used to lease or purchase through a grantee controlled services corporation unless that corporation meets CSA's rigid new standards. The corporation must be organized under the non-profit corporation laws of the state. Federal conflict of interest regulations must be applied to the activities of the corporation. All corporate transactions must be public, and the corporation must provide an audited financial statement to the CAA annually. Although the vast majority of funds going to such corporations originate in other Federal agencies, CSA is the only one to adopt strict rules to control abuse.

Question: Why are such arrangements used - or tolerated?

Answer: CAAs operate grants from a large number of Federal and state programs. Most programs permit lease but not purchase of major equipment. CAAs have found that they can achieve major savings by forming service corporations to purchase such equipment. The arrangement is clearly lawful although often misunderstood. It does, however, require close monitoring to prevent abuse.

NATIONAL ADVISORY COUNCIL ON ECONOMIC OPPORTUNITY

The National Advisory Council on Economic Opportunity was established to advise the Director of CSA and the White House on matters affecting the poor.

Question: What is the current funding of the National Advisory Council on Economic Opportunity?

Answer: The Current 1981 funding level of the National Advisory Council on Economic Opportunity is $200,000.

Question: Are there any vacancies on the Council?

Answer: There are currently no vacancies on the Council.

Question: How are the Advisory Council Reports used?

Answer: Discussions and recommendations contained in reports issued by the National Council on Economic Opportunity have been studied and seriously considered at all levels within this Agency. In addition, these reports have been provided to all CSA grantees throughout the country.

Question: Has CSA acted on any of their recommendations?

Answer: Recommendations from the Council have been extremely helpful to CSA--especially those recommendations addressing programmatic areas. The following are but a few examples of steps taken by CSA as a result of Council recommendations:

CSA expanded its Community Food and Nutrition Program to include a program category called Food Supply which is aimed at and specifically developed to get the private sector more involved in and supportive of efforts to help meet the nutritional needs of the poor.

Regarding the delivery of services to the poor, the Council recommended an emphasis be placed on CSA's role as coordinator of Federal anti-poverty programs and the development and implementation of interagency agreements. To that end, CSA established the Office of Interagency and External Affairs. This office has directed CSA's involvement in those bodies whose mandate is to improve the service-delivery capability of human resource programs. In addition, CSA has entered into a number of formal interagency agreements to facilitate resource mobilization and coordination. CSA has entered into such agreements with LEAA, DOL, EDA, HUD, DOT, SBA and USDA.

The Council recommended that CSA bring about a review of all CAA Boards of Directors to ensure compliance with legislation and regulations governing their structure and function and to conduct comprehensive and regular training for CAA boards. In response to this recommendation, CSA launched a study of board effectiveness and developed a board training effort which was carried out on a widespread basis.

Regarding program priorities and a comprehensive planning system, the Council recommended that CSA: (1) bring about a study of the extent and nature of poverty at the local level and alter programs accordingly; (2) provide CAAs with tools and technical assistance to upgrade their capabilities; and (3) reinforce the concept that neighborhood-based organizations must have authority for setting objectives, determining policies and administering their own programs. CSA responded to this recommendation by developing a Grantee Program Management System (GPMS) which is being implemented at this time and which responds to the planning and local initiative recommendations of the Council.

Question: Does CSA share the Council's recommendations with other Federal agencies?

Answer: It has been the policy of this Agency to send copies of the Advisory Council's reports to all agencies and departments of the Federal government with whom CSA or its grantees are working in anti-poverty efforts.

TRAVEL

Question: How many annual trips per capita are made per year by CSA employees?

Answer: 9.2 trips per CSA employee.

Question: How does CSA's average length of trips, in days, compare to the government-wide average of 8.8?

Answer: CSA's average length of trips is 7.7 days.

Question: What is the average cost of trips made by CSA employees?

Answer: The average cost of trips by CSA employees is

$214.00.

Question: What is the actual average cost per trip? The Government-wide average is $176.00.

Answer: The actual average cost per trip is $214.00

Question: What percentage of your trips accounts for the following activities?

Answer:

Operational or managerial	- 69.5 percent
Travel and training	- 10.7 percent
Informational meetings and conferences	- 16.5 percent
Speeches or presentation	- 1.7 percent
Special mission travel	- 0.9 percent
Relocation of employees	- 0.7 percent
	100.0 percent

Question: Does CSA have an Office of Travel Management? Do the separate programs have Offices of Travel Management? Can these be eliminated without impairing your efficiency?

Answer: CSA is too small to maintain its own office of travel management, but many of our regional offices do utilize GSA services where provided or comparable services provided by the National Association of Scheduled Airlines.

Question: Can you prepare for the record a tabulation of travel expenses for all recipients of CSA grants and contracts?

Answer: Standard Federal quarterly expenditure reports do not require that grantees report this level of detail.

TELECOMMUNICATIONS IN LIEU OF TRAVEL

Questions: What has CSA done to encourage the use of conference calls, the exchange of videos, the use of telecopiers, and exchange of information by mail, as alternatives to travel?

Answer: The combination of a 10% travel cut by the Administration and the increase in travel fares and per diem rates has necessitated that every CSA headquarters and regional office look more closely at each travel request at the time of authorization. As part of this review the office looks at:

a) the purpose of the trip

b) the number of people required on the trip

c) whether alternate means such as conference telephone calls could be used instead of traveling

d) the cheapest method of travel, including the use of contract fares negotiated by GSA.

Question: Are the same travel savings being encouraged for CSA grantees and contractors?

Answer: CSA grantees must justify their proposed travel costs at the time a grant is initially funded or annually renewed. At that time the field representative determines if the purposes of the grant support the amounts of travel being proposed. As the grant is audited, the CPA is expected to determine whether the actual travel costs charged were reasonable. This includes examining whether the travel had been approved by the employee's supervisor and was related to the purposes of the grant.

INSPECTOR GENERAL DISMISSAL

Question: What impact has the dismissal of your Inspector General had on on-going investigations, new projects that are being considered, and any follow-up examinations?

Answer: The Deputy Inspector General, a career employee in the Senior Executive Service, was appointed Acting Inspector General on January 21, 1981. The sudden and unexpected removal of the Inspector General created temporary staff morale problems, additional workload for the Acting Inspector General and temporary delays in completing some investigations. At the present time, all work is proceedng according to schedule.

Question: Has the dismissed Inspector General continued to participate in any on-going investigations, as the President's dismissal order permitted; and if so which ones?

Answer: The Acting CSA Director, who resigned effective March 1, 1981, hired the dismissed Inspector General as a Consultant for 15 days, effective January 21, 1981. The Inspector General worked 4 days and provided technical assistance and information to the Acting Inspector General on a wide variety of pending actions.

Questions: Who is being considered for the position of permanent Inspector General, and what selection process is being used?

Answer: The CSA Acting Inspector General has applied for an Inspector General position but has not been interviewed, to date. The Office of Presidential Personnel in the Executive Office of the President is screening applications. We understand that officials in the White House Personnel Office and OMB have been interviewing candidates.

Question: How long does CSA anticipate a vacancy in the permanent Inspector General's position?

Answer: Given the uncertain status of the agency, there is no way to anticipate if or when a permanent Inspector General will be either nominated or confirmed.

NON - COMPETITIVE AWARDS

Question: How much is CSA spending in non-competitive awards for activities of various National-Based Associations?

Answer: In terms of contracts, only one non-competitive award has been made for activities of a national based association. This award was made in September 1979 to the National Center for A Barrier-Free Environment as a result of an interagency transfer of funds from the HEW Office of Civil Rights to CSA. The purpose of the contract was to stimulate implementation of Section 504 of the Rehabilitation Act of 1973, through information dissemination, technical assistance delivery to the handicapped and research. The contract for $310,000 expired October 31, 1980.

Question: Do you believe it is appropriate for CSA to award non-competitive grants to organizations which lobby the Administration and Congress?

Answer: CSA awards its grants on the basis of whether the grantee's application reflects an ability and plan to achieve goals consistent with the Agency's mission. In some cases a grantee's activities on behalf of the poor may include contact with the executive and legislative branches of the Federal government. With regard to the latter branch, however, CSA grantees are required to comply with CSA's regulatory lobbying prohibitions. CSA is evaluating the question of grantee lobbying with a view to tightening restrictions on such activities.

Question: What safeguards do you have to avoid conflict of interest situations involving grants to organizations engaged in lobbying or providing political support?

Answer: CSA's regulations prohibit grass roots lobbying with agency funds (45 CFR 1069.6) and require that grantees and their delegates administer CSA-assisted programs in a politically nonpartisan manner (45 C.F.R. 1069.8). Grantees are informed, as part of the grant process, that they are bound by all CSA regulations. In addition, CSA grants now include a special condition reminding grantees of CSA's lobbying prohibitions.

Question: How many contracts were awarded at the direction of the Director of CSA or other CSA management during fiscal year 1980? Could you provide a list of such contracts for the record?

Answer: No contracts were awarded to a firm at the request of the CSA Director or other management. All contracts were awarded through the normal procurement request system and pursuant to the Federal Procurement Regulations.

Questions: How many non-competitive contracts disapproved by CSA's non-competitive review board during fiscal year 1980 were subsequently awarded? Could you provide a list of any such contracts for the record?

Answer: None were subsequently awarded.

Question: Has CSA established any new procedures to insure that more of its contracts are awarded competitively?

Answer: CSA has drafted an agency staff instruction (now going through the internal review process) which will require advance procurement planning in all program offices which will give adequate time for the competitive process and avoid end-of-the-fiscal year awards which in past years have resulted in a number of sole source awards. In the last couple of years there has been great improvement in this area. In 1980 14 contracts were awarded for a total of $1,117,400. Out of this amount, only 4 contracts were sole source for a total of $47,000. All 4 of these contracts had legitimate justifications and none were awarded at the end of the fiscal year. (It is noted that the majority of CSA's contracts are awarded through the Small Business Administration 8 (a) set-aside program for small and disadvantaged businesses.

Question: Please provide, for the record, a breakdown of non-competitive grants and awards to Nationally-based Associations in the past year.

Answer: There were no non-competitive contracts awarded to such associations.

Question: To the extent possible, please provide the same information thus far for 1981 and your budget plan for 1982.

Answer: There are no plans in 1981 or 1982 to award non-competitive contracts to nationally-based associations.

CSA CONTRACTS

Question: How much of your contract costs were spent in the last month of Fiscal 1980? Why?

Answer: Out of $1,117,400 awarded in contracts during 1980, $1,002,657 was awarded in the last month. This is due to lack of procurement planning which the Agency will correct through the new agency staff instruction mentioned earlier.

Question: How much of that was awarded for non-competitive contracts?

Answer: $47,000.

Question: How do you define competitive and non-competitive?

Answer: In competitive awards, Requests for Proposals and Invitations for Bids are issued to all interested firms and the requirement is published in the Commerce Business Daily. Award is made to the most responsive, responsible offeror, price and other factors considered.

Non-competitive contracts are sole source awards.

A third category of contracts is the 8(a) set-aside program administered through SBA, in which CSA contracts directly with SBA who in turn subcontracts with a responsible, capable firm which has been approved by SBA. The majority of CSA Contracts are 8(a) set-aside contracts.

Question: Are there ever instances where only one application was received and you still considered the award to be competitive?

Answer: No.

CSA CONSULTANTS

Question: What percentage of CSA's budget pays for consultants?

Answer: As far as contracts are concerned, there is only one consultant type contract for $28,626 included in a total of $1,117,400 awarded in 1980.

Question: What percentage of consultants are contracted due to insufficient in-house expertise? In-house capability?

Answer: As stated above, only one consultant contract which constitutes approximately 2 1/2% of our contract volume.

Question: What would be the consequence of freezing all consulting contracts pending a full review of their usefulness?

Answer: Since we only have one consulting contract which is almost completed it would be inconsequential.

Question: Do you have any plans to implement delay-of-drawdown letters of credit financing, or checks-paid financing, for consultant contracts?

Answer: No.

Question: How much money in interest not earned will CSA lose during FY 1981 and 1982 as a result of not using these finance needs.

Answer: None.

GRANTS AND AWARDS MISUSE

Question: How many grants and awards does CSA administer each year?

Answer: CSA administers approximately 1,550 grantees or 6,000 grant actions (awards) per year.

Question: To what extent has CSA been able to identify and keep track of those who misuse CSA grants and awards?

Answer: The Office of Inspector General receives Hotline calls and mail with complaints and allegations which are reviewed and processed. The OIG maintains central coded files of investigations and audits. Investigative procedures require that each complaint is numbered and accounted for from the time of receipt until it is resolved or investigated and appropriate corrective action has been taken. Audit reports are summarized on a monthly computer printout which includes audit findings and the resolution of problems. Monthly summary reports of audits are provided by the Office of Inspector General to the CSA Director, the Assistant and Associate Directors and the Controller for their use in managing the agency's business. The OIG Auditing Office uses a specific procedure, OIG-10, to follow-up on administrative action taken in response to OIG findings and recommendations.

On January 16, 1981, at the request of the CSA Transition Team, the Inspector General provided a list of 70 grantees identified as "potentially sensitive."

Monthly reports from the Assistant Inspectors General for Auditing and Investigations to the Inspector General provide the status of cases and internal audits as well as summaries of audits.

Question: What actions has CSA taken to keep individuals and companies under suspicion of misusing government funds from getting new awards until their old cases are cleared up?

Answer: In response to Section 305 of Public Law 96-304, CSA developed a plan to resolve open audit issues during fiscal year 1981. This plan prohibits the release of funds to grantees that have inadequate accounting systems.

Question: Is this type of problem more common to particular programs or is it manifested relatively equally through all grant programs?

Answer: It does not appear that misuse of government funds is more common to certain CSA programs over others. In fact because CSA is one of the few Federal agencies which require an annual audit of it's funds, many instances of abuse at our grantees relate to other agency funds (not CSA) which are audited less frequently. We believe the single-audit concept will help control this problem.

EVALUATIONS

Two site visits are made to each CAA each year.

Question: Who makes the site visits, Federal, Regional, or local CSA representatives?

Answer: Under the Grantee Program Management System (GPMS) an average of two site visits per year to each grantee are planned. These visits are conducted principally by CSA field respresentatives, who are federal personnel stationed in the ten CSA Regional Offices.

Question: What coordination exists between CSA and State agencies in evaluating CAA programs?

Answer: Under the system of Type III (Grantee Effectiveness) evaluations, the State Economic Opportunity Offices (SEOO) are routinely notified of the evaluations. SEOO respesentatives participate as team members on many of these evaluations. A copy of the final report is transmitted to the SEOO. To the extent that other state agencies are involved in providing funds or other support to local CAAs, they are looked to as sources of information about local CAA impact.

Question: What does CSA look for in the annual audit and two program progress reports required of each Community Action Agency?

Answer: The audit is utilized for many purposes. The audit indicates whether the grantee has an adequate accounting system and internal controls to safeguard their assets, check the accuracy and reliability of the accounting data, promote operating efficiency and and encourage compliance with prescribed management policies. The audit also indicates whether the grantee has complied with CSA regulations, whether funds were properly spent and whether the grantee obtained its required non-Federal contribution for that grant period. Using the audit report a CSA systems accountant decides what, if any, action must be taken to strengthen the grantees fiscal system. The accountant and program officials also analyze any expenditures questioned in the audit and determine whether or not they should be allowed or disallowed.

The PPRs are analyzed by program personnel to determine if the grantee is making progress as planned in its work program. If not the PPR should provide the basis for timely corrective action.

COMMUNITY ACTION AGENCIES

Question: How many community action agencies are presently receiving federal assistance?

Answer: 893 community action agencies are currently recognized by CSA.

Question: How many more CAAs would be needed to serve the entire poor population?

Answer: Approximately 210 if each served an average of five counties.

Question: How many of the CAAs are rural and how many are urban?

Answer: CSA classifies 530 of its CAAs as rural and the remainder urban. This classification is based on the predominant urban /rural characteristics of the population served. It should be noted that virtually all urban CAAs also serve rural areas. It is common for an urban CAA to serve a city of 150,000 and four or five rural counties surrounding it.

Question: How many poor people are the CAAs now serving?

Answer: 83% of the poverty population lives in areas served by CAAs. Since most CAA services are provided with non-CSA dollars, CSA has not collected data about population actually served. Under its new management system this data will be available.

Question: What is the federal cost per capita of recipients of CAA services?

Answer: The national average of dollars per poor persons in CAA service areas is $17.50. The costs of actual services provide vary tremendously by type. Head Start, weatherization, and home repair are probably the highest cost per capita. Outreach and counselling services are probably the lowest. Since most of these services are provided through non-CSA funds, CSA does not collect cost data.

Question: What is considered a sufficient poor population base to start a CAA?

Answer: In general, CSA will not extend recognition to CAAs servicing counties or combination of counties with population of less than 50,000 people. The final decision depends on whether or not it is cost effective to serve the poor population through the proposed CAA. For example, CSA has recognized CAAs with less than 50,000 where the percentage of poor is high and the poor are geographically concentrated.

RAILROAD RETIREMENT BOARD

STATEMENT OF WILLIAM P. ADAMS, CHAIRMAN

ACCOMPANIED BY:
- EARL OLIVER, MANAGEMENT MEMBER
- KEN ZOLL, ASSISTANT TO THE LABOR MEMBER
- NORMAN SOLOMON, ACTING CHIEF ACTUARY
- PAUL COTE, DIRECTOR OF BUDGET AND FISCAL OPERATIONS

INTRODUCTION OF ASSOCIATES

Senator ABDNOR. Our last witness this morning is Mr. William Adams, Chairman of the Railroad Retirement Board, which has its headquarters in Chicago. Mr. Adams, would you kindly introduce the people with you and proceed.

Mr. ADAMS. On my left is Mr. Earl Oliver, the Management Member of the Railroad Retirement Board. On my right is Mr. Kenneth Zoll, Assistant to the Labor Member. On Mr. Zoll's right is our Acting Chief Actuary, Norman Solomon. And on Mr. Oliver's left is Mr. Paul Cote, our Director of Budget and Fiscal Operations.

Mr. Chairman, with your permission, I have an opening statement that I would like to submit for the record and perhaps just give you a brief overview of what the Board does and then submit to questions.

PREPARED STATEMENT

Senator ABDNOR. Without objection, the entire statement will be placed in the record. Go right ahead and summarize it.

[The statement follows:]

STATEMENT OF WILLIAM P. ADAMS

Mr. Chairman and Members of the Committee, before discussing the specifics of our 1982 budget request, I would like to furnish some general information regarding the Railroad Retirement Board.

Programs Administered by the Railroad Retirement Board

The Railroad Retirement Board administers a regular retirement system for the payment of retirement and disability annuities to railroad employees, annuities to their spouses, benefits to their survivors, and payment under certain conditions of supplemental annuities, in addition to regular annuities. The Board also administers a separately financed system for the payment of unemployment and sickness benefits to qualified railroad workers, and participates in the administration of the Medicare program for persons covered by the Railroad Retirement Act.

Structure of the Board

The Railroad Retirement Board is administered by a three-member Board appointed by the President, by and with the advice and consent of the Senate -- one member upon recommendation of representatives of employees, one upon recommendation of representatives of employers, and one, the Chairman, without designated recommendation. The terms of office are five years and are arranged so as to expire in different calendar years. The present management member was first appointed August 5, 1977, and was reappointed on October 20, 1978, for a term beginning August 29, 1978. The present labor member was appointed on October 10, 1977, and was reappointed on July 27, 1979, for a term beginning August 29, 1979. The present Chairman was appointed on February 15, 1978, for a term beginning August 29, 1977.

Financing the Railroad Retirement Program

The railroad retirement system is financed by taxes paid by railroad employees and employers into trust funds. The amounts needed for benefit payments and administrative expenses are derived from these trust funds. Congress must approve the amounts to be spent for administrative expenses.

Payments for Dual Benefits

Under the Railroad Retirement Act of 1937, an individual engaging in covered employment under both the Railroad Retirement Act and the Social Security Act could, under certain conditions, receive benefits under both Acts. The weighting factors inherent in the social security benefit formula produce a proportionately higher benefit for employees with low earnings and short service. Therefore, dual beneficiaries receive a higher return for the taxes contributed since in most instances the social security coverage is only supplementary to their regular railroad employment. Even though there is a financial interchange arrangement between the Railroad Retirement Board and the Social Security Administration whereby the latter reinsures benefits paid by the Board, the cost of this higher return was borne by the Railroad Retirement Account.

The Railroad Retirement Act of 1974, P.L. 93-445, phases out dual benefits and authorizes annual general fund appropriations on a level cost basis from 1976 through 2000 to phase out the cost of this higher return. Public Law 93-445 also provides that the Board shall, at the time of each actuarial valuation prior to the fiscal year 2000, determine whether an adjustment should be made in the authorized level of this appropriation.

The fourteenth actuarial valuation conducted in 1979 indicated that the amount of the general fund appropriation on a level basis should be increased to $500 million. The 1982 request is for $350 million because the President's budget submitted to the Congress on January 15, 1981, contained proposed legislation which contemplates placing a $350 million cap on this appropriation. It is the position of both the Labor Member and the Management Member, a majority of the Board, that the intent of the original legislation, P.L. 93-445, to fully fund the dual benefit costs from general appropriations, should be carried out.

Condition of the Fund

The most recent short-range projection of railroad retirement account balances indicates that there will not be enough money in the account to pay benefits in March, April and May of 1983. The receipt of the financial interchange transfer is projected to bring the account back to a positive position in June, July, August and September. Starting in October 1983, however, the account is projected to be continuously in the red.

In addition, the account balance projected for April 1982 is very low, less than one month's benefit payments. Any unfavorable deviation of experience from the assumptions incorporated in the projection (such as a drop in employment due to a strike or recession) could cause a cash flow problem to materialize in April 1982.

The reasons for the system's financial problems are essentially the same as those causing social security's financial problems. High inflation has accelerated benefit payments and recession has caused tax income to be less than anticipated.

Congress is aware of the serious financial condition of the fund. On December 23, 1980, President Carter signed Public Law 96-582. This legislation directs railroad management and labor representatives to present joint recommendations to Congress for resolving the system's financing problems by March 1, 1981. Negotiations are proceeding in accordance with this directive.

The President's budget, submitted to the Congress on January 15, 1981, is based on the assumption that a set of amendments to the Railroad Retirement Act, called the Pension Assurance Amendments, will be enacted. Without going into details, the Pension Assurance Amendments would reduce future benefit levels and would increase railroad retirement taxes.

Again, it is the position of both the Labor Member and the Management Member, a majority of the Board, that the Congress should afford the representatives of labor and management the opportunity to present their recommendations before giving consideration to the Pension Assurance Amendments.

Milwaukee and Rock Island Railroad Legislation, Administration

The Board has certain responsibilities under the Milwaukee Railroad Restructuring Act and the Rock Island Transition and Employee Assistance Act.

The Board pays certain benefits to eligible employees, maintains employment lists, and has a role in settling disputes under employer-employee agreements in each case. At present, however, a Federal court injunction has stayed the implementation of the employer-employee agreement signed pursuant to the Rock Island Act. For 1982, for both programs, the Board is requesting an appropriation of $250,000 to fund its administrative expenses. Benefit appropriations are not requested by the Board, but rather by the Department of Transportation.

Regional Rail Reorganization Protective Benefits

You will note that the Board is making no budget request for benefit payments under Title V of the Regional Rail Reorganization Act of 1973, as amended. Beginning in fiscal year 1981, responsibility for requesting appropriations was transferred to the Department of Transportation.

Upon the enactment of appropriations, the Department of Transportation transfers the funds to the Board for reimbursement to eligible claimants. So far in fiscal year 1981, $69,100,000 has been appropriated, transferred, and disbursed, exhausting presently available funds.

The Department of Transportation is not requesting additional appropriations for 1982, until experience is gained with the amendments to the program enacted as part of the Staggers Rail Act of 1980, and until such time as studies are completed on Conrail's future (April 1, 1981).

Limitation on Salaries and Expenses - 1982

The amounts requested under this appropriation account title represent a limitation on the use of trust fund monies for the administrative expenses of the railroad retirement system. Repeated amendments to the basic Act present a continuing problem in attempting to keep abreast of workloads. These amendments culminated in the passage of P.L. 93-445, the Railroad Retirement Act of 1974, effective January 1, 1975, which completely restructured the railroad retirement system.

For fiscal year 1982, the budget request contains $54,000,000 as the Limitation on Salaries and Expenses. The major increases over 1981 are the one-time cost of relocating our headquarters offices in Chicago, Illinois, the increased rental cost of the new headquarters space, and a major increase in contractual services. This budget represents a major change in strategy for the Board. We have identified a number of major improvements that need to be made in order to more effectively carry out the Board's programs in serving our public. To accomplish these improvements in a reasonable period of time, we have decided to rely upon outside providers of systems design and programming services. We believe this budget's strategy is in complete accord with OMB Circular No. A-76, and will enable us to reap major benefits without requiring an increase in permanent staff. We view these efforts as investments, not expenditures.

We will take major steps forward in automating our post-adjudicative claims workload, which presently constitutes the bulk of our staff time. We will move rapidly on converting our computer operations to the more modern and efficient data base environment. We will install an automated budgetary and financial management information system and an automated work measurement and productivity system. These are ambitious efforts, and we would appreciate your support as we undertake these significant steps to improve agency operations.

Regulatory Activities

The Committee has also asked each Agency to indicate its regulatory activities. The Board is not a regulatory Agency in the sense of regulating private businesses. Our regulations primarily affect the individuals who apply for benefits under the Railroad Retirement Act and the Railroad Unemployment Insurance Act.

Since benefits under both of these Acts are based upon an individual's railroad industry service and compensation, we do require railroad employers to submit an annual report of creditable service and compensation for each employee. We estimate that the 535 railroad employers spend 47,062 hours completing these reports. There are eight other service and compensation reports which supplement, as needed, this basic annual report. We estimate that all eight of these combined, require railroad employers to spend another 6,176 hours in submitting these supplemental reports.

To maintain the Board's records of creditable service and compensation on each employee who has worked or is working in the railroad industry, in fiscal year 1982, the Board will spend $870,000 to maintain records related to the Railroad Unemployment Insurance Act and $1,071,000 to maintain records related to the Railroad Retirement Act.

These figures indicate that we place a relatively small regulatory burden on private business, and spend a relatively small amount of money to maintain the resulting information. Under the two Acts, however, this information is legally required to determine the individual's benefit and is the fundamental information source in administering our programs.

Mr. Chairman, that concludes my opening statement. We would be pleased to respond to any questions you and Members of the Committee may have.

SUMMARY STATEMENT

Mr. ADAMS. Thank you. The Railroad Retirement Board administers a retirement program for railroad employees. We provide monthly benefits to these retired employees, their spouses, children, parents. We also administer, from a separate account, a supplemental annuity program which is for career railroad employees, people who have served 25 years or more with the railroad.

Since the Railroad Retirement Act of 1974, people who are qualified to receive benefits under both railroad retirement and social security are paid by the Railroad Retirement Board. We have a financial interchange program with social security. Since we do administer that program, the Board also participates in the administration of the medicare program for people who are paid by the Railroad Retirement Board.

We have two programs that we administer for which we do not seek the appropriations.

The first of those is the Conrail legislation, the Regional Rail Reorganization Act of 1973. That act has some labor protection provisions in title V which provide monthly displacement allowances and other provisions for people who were displaced by that system. We reimburse the railroads for the payments that they make under that act, but we do not seek the appropriations.

The appropriations are sought by the Department of Transportation. This is also true with respect to more recent legislation in the case of the Milwaukee and Rock Island Railroads. There are supplemental unemployment insurance benefits for people displaced by the liquidations of the Rock Island and the cut back at the Milwaukee operations and some career training assistance. That concludes my opening statement, Mr. Chairman.

With your permission, both the management member, Mr. Oliver and the representative of the labor member, Mr. Zoll, asked that they be recognized briefly for a statement.

Senator ABDNOR. Fine.

MANAGEMENT MEMBER'S VIEWS

Mr. OLIVER. Mr. Chairman, I am Earl Oliver. On a personal note, years and years ago I was employed by the Northwestern Railroad, which serves your State. My first assignment, my first field assignment as an assistant train master was in South Dakota. I had some very pleasant working experiences in and memories of the Rapid City area. But, at one time or another, I was assigned to all of the major cities that the Northwestern serves in South Dakota.

The Railroad Retirement Board is, I think, unique among the so-called independent agencies. The Congress, when it established the Railroad Retirement Board, intended it to be unique. It provided that two of the three members of the Board, the majority of the Board, should be drawn from the railroad industry itself, or be recommended by the railroad industry. One is recommended by railroad management and one by labor and the third person is recommended by neither. He is the nonpartisan member who also serves, by law, as chairman of the Board.

Now, the chairman is first among equals. But the three members do have equal authority and equal voice. It takes a majority of the Board to establish the views of the Board, establish the recommendations of the Board and so on. In what I am about to say, I believe I express the views of the majority. If I don't, I'm sure Mr. Zoll will correct me.

I want to speak briefly to three points.

The first is the legislative proposals which relate to our proposed appropriation; the second is to the expenses of administration of the Railroad Retirement Board; and the third is the social security windfall appropriation.

LEGISLATIVE PROPOSALS

Very succinctly, a majority of the Board does not endorse the legislative proposals which undergird the budget recommendation for the Railroad Retirement Board.

ADMINISTRATIVE COSTS

Second, as to the administrative expenses, the variable administrative expenses of the system are taken from the payroll taxes levied on railroad employers. No general revenues of the U.S. Government are used for administrative expenses of the railroad retirement system. On the contrary, railroad retirement taxes are used to administer payment of the social security windfall benefits.

If the railroad retirement system is administered——

Senator ABDNOR. Wait a minute. None of the Government funds are used to administer the railroad retirement program?

Mr. OLIVER. I beg your pardon?

Senator ABDNOR. Did you say none of the Government funds are being used to administer the railroad——

Mr. OLIVER. I said no general funds of the U.S. Government are being used to administer the railroad retirement system. On the other hand, I said that some railroad retirement taxes are being used to administer the payment of the social security windfall benefits. I will get to those benefits shortly.

You may recall, Mr. Chairman, the 1974 action on the windfall benefits. I will treat those in my third point.

If the railroad retirement system is administered inefficiently and wastefully, the employers stand to lose and so do the employees. The employers, therefore, want enough of their tax money spent on administration to assure efficient, accurate, and timely payment of benefits. This administrative budget, the one presently being considered, and the manpower provided by it, are so small as to promote waste and inefficiency. Railroad labor and railroad management join the majority of the Board in requesting more manpower and a larger allocation of the railroads' payroll taxes to administer railroad retirement benefits and the social security windfall.

Now, I can go into that further and point out that we have traditionally operated on a shoestring and now the ends of those strings are being cut. I can make some comparisons with social security administrative costs. In the interest of time, I will not do that, but go ahead to my third point.

SOCIAL SECURITY WINDFALL COSTS

This is the social security windfall costs. In 1974, you will recall, the Congress awoke to the fact that a series of actions it had commenced in the early 1950's over the objection of both railroad management and railroad labor, the majority of railroad labor, had cost the railroad retirement fund more than $4 billion in social security windfall benefits. The Congress had intended no such result. It set about to correct what Members of Congress termed a mistake on their part. A bill was introduced to phase out the windfall for the future and to transfer to social security the costs of phasing out the windfall for persons who were vested. Because of the condition of the social security fund, the Congress decided instead of shifting this cost to social security to pay for the social security windfall phaseout from general funds. It rejected the contention of the President's budgetmakers that this would constitute a subsidy to railroad retirees. President Ford vetoed the bill. The Senate overrode the veto 72 to 1 and the House 360 to 12. I believe all of these members of this subcommittee who were Members of the House and the Senate at that time voted to override the veto.

Despite what the Congress said, despite its rejection of the budget people's contention that this was a subsidy to the railroad retirement fund, the budget people have refused to follow the direction of the Congress. Their 1982 budget does not comply with the 1974 law. They continue, despite what Congress said, to call the social security windfall appropriation a subsidy to railroad retirement. In fact, the 1982 budget and the budget appendix used the term "subsidy" 22 times in characterizing the windfall appropriation. They used the term "subsidy" or a variant of the word 14 times in one-half page of the budget appendix.

I'm sure that by force of repetition of a mischaracterization, they have convinced many people that railroad retirement is subsidized from general funds. It is not.

Now, a further point. Payments by the railroad retirement system are a part of the Federal budget, Mr. Chairman. Shifting any part of the cost of social security windfall benefits from general funds, where the Congress said they should come from to railroad retirement, as the budget proposes, would not reduce the Federal budget. It would not reduce the Federal budget 1 penny. It would simply be taking money out of one pocket where the Congress said it belongs instead of from another pocket from which the Congress directed it be taken. I ask you to do what you directed be done, what you directed in 1974 be done, appropriate from general funds the full cost of the social security windfall benefits. Thank you, Mr. Chairman.

Senator ABDNOR. Thank you.

LABOR MEMBER'S VIEWS

Mr. ZOLL. Mr. Chairman, my name is Ken Zoll. I am assistant to the labor member. The labor member would not disagree, in substance, with the remarks made by Mr. Oliver. In fact, he would agree with many of them.

Our office is the office most closely attuned with the railroad constituency. As representatives of railway labor, we have close contacts with all the local officials. We wish to point out that our employment has been decreasing steadily since 1977 to the tune of approximately 13 percent.

The majority of these positions have been taken from administrative duties within the headquarters operation in our effort to improve the management of the agency. The additional cuts imposed by the administration, while we fully support the President's efforts to trim the budget and get inflation under control, we wish to point out that the 5-percent cut for 1981 is on top of a 3.36-percent cut by the Carter administration. Thus, our reduction will be 8.36 percent.

Having this come in just 6 months' time, it will be impossible to avoid RIF. Since the majority of the positions in the past have been through administrative activities, the most logical place for these additional cuts to be taken is from our field service. Therefore, these will have a direct impact on the service delivery that we can provide. There are several offices around the country that serve small rural areas with small railroad populations. Logic would tell us that those offices that serve the fewest number of people will be the first to go.

We are concerned that as a result, we will end up concentrating our activities in large, metropolitan areas to the detriment of those in the boondocks, so to speak, and they will not have close contact with the agency officials. We cannot cut headquarters employment to a great degree in several areas because of continued Federal concern over waste, fraud, and the management of accounts receivable activities. As a result, most of our employment cuts most likely will be from our field service. Thank you.

Senator ABDNOR. Thank you. Mr. Oliver, we still have this Chicago Northwestern running. We have lost an awful lot of railroads.

Mr. OLIVER. You certainly have.

Senator ABDNOR. We have to figure out a way to keep some of them there. That's one of our No. 1 problems in South Dakota.

RAIL-LABOR NEGOTIATIONS

Last year, Congress passed legislation calling on representatives of labor unions and industry to come up with plans to solve the financial crisis facing the railroad retirement system. When do you expect this plan to be completed?

Mr. ADAMS. Mr. Chairman, I would yield to representatives of the labor-management area to answer that. I do know that the March 1 deadline has passed and an extension has been requested to April 1.

Mr. OLIVER. I have before me a letter signed by the chief negotiators for rail management and rail labor to Senator Hatch and Congressman Dingell asking for an extension of time. They say in this letter that they would like to have until April 1 to seek agreement on the joint recommendations before any action on this important subject is initiated. They recognize they have a big job in front of them. Incidentally, they are meeting tomorrow on the subject. This has been uppermost in their minds and they are resolved to answer the problem, to correct the condition. But, it is taking more time than they had anticipated.

Senator ABDNOR. Well, you can submit the recommendations from the meeting for the record.

Mr. OLIVER. I beg your pardon?

Senator ABDNOR. Can you submit the recommendations for the record, then, when they do come up with them?

Mr. OLIVER. Oh, yes; we shall do that. But, of course, it could be some time before those come in. In other words, I don't anticipate recommendations before the April 1 date.

[CLERK'S NOTE.—The recommendations of the labor and management negotiators have not yet been agreed upon.]

Senator ABDNOR. What are some of the options that they are considering particularly with respect to the windfall payments we have been talking about.

SOCIAL SECURITY WINDFALL

Mr. OLIVER. With respect to the windfall, it seems to me that that's very clear. All that needs to be done is for the Congress to do what it said it was going to do in 1974, and said overwhelmingly it was going to do, that is, pick up the cost of the windfall. Congress said this should never have been charged against the railroads in the first place.

It's a social security payment. It's for social security covered employment. It was a mistake on their part to charge it to the railroads. The fund would be in good shape today if we had that lost $4 billion that had accumulated before 1974. But we don't have it.

Senator ABDNOR. Would it be OK today if you had not lost the $4 billion?

Mr. OLIVER. It would be in a lot better shape actuarially. The cash flow situation would not be what it is today. We would not be facing up to running out of money in 1983 or possibly even before. But, there do need to be some changes made that will keep the fund actuarially sound.

Mr. ZOLL. The negotiations that have been going on have been quite intense. They have been using the expertise from the agency. Although, as Mr. Oliver states, we haven't met the March 1 deadline, we are fairly confident that by April 1, we will come much, much closer if not come to a full agreement. The issues are very complex. As you might guess, in any type of negotiations, there is some give and take. I don't think either side wishes to acknowledge at this point what they are willing to give and what they are insisting on taking.

SUBMITTED QUESTIONS

Senator ABDNOR. Thank you, gentlemen. We have some additional questions that we are going to ask you to answer for the record. You can submit the answers to the written questions when you return the corrected transcript. We thank you for your time on a very complicated subject.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator Abdnor: Last year, Congress passed legislation calling on representatives of labor unions and industry to come up with plans to solve the financial crisis facing the railroad retirement system. When do you expect this plan to be completed?

Mr. Chamberlain and Mr. Oliver: Public Law 96-582 of December 23, 1980, required representatives of the employees and the carriers to submit recommendations by March 1. Labor and management meetings are underway. An extension to April 1, 1981 has been requested.

Senator Abdnor: What are the major options being considered, particularly with respect to windfall payments?

Mr. Chamberlain and Mr. Oliver: There are a number of recommendations that are being discussed by the parties; however, it would be premature to report them at this time since, through the negotiating process, positions can change.

As the Labor and Management Members of the Board, we recommend the windfall appropriation be made as provided by current law. We oppose any move to place a $350 million cap on the windfall appropriation, for to do so would not only contravene present law but would be contrary to the rationale of the House of Representatives that the phase-out costs of windfall dual benefits should properly come from the general funds rather than from the railroad industry. That rationale is set forth in Senate Report 93-1163 on H. R. 15301, which became the Railroad Retirement Act of 1974 (Public Law 93-445):

"* * * The question before the Committee was who should bear the cost of continuing these benefits to persons already retired and those with vested rights protected under the bill, this cost estimated to represent 3.64 percent of taxable payroll."

"The Office of Management and Budget has suggested that this cost can be met by simply cutting benefits under the bill. The Committee rejected this suggestion for three reasons: First, cutting off the benefits of those already receiving or legally entitled to them would clearly be inequitable. These individuals have a right to receive those benefits the law has led them to rely upon or expect."

"Secondly, more than half of the long range cost of putting the overall system in actuarial balance under this bill is accomplished through significant reductions in benefits payable to future retirees. These reductions include the prohibition of future dual benefits as well as * * * ."

"Finally, changes in the benefit formula since accruial /sic/ of future dual benefit rights is prohibited under the bill, it seems unfair to assign this cost to present employees who will not be able to collect such benefits."

"On the other hand, the railroads had no part in the creation of the current situation. The lost reimbursement to the Railroad Retirement System arising out of individuals becoming entitled to Social Security benefits arises out of non-railroad employment performed by these individuals--employment which has not benefited the railroad industry in any fashion. A further factor leading to lost reimbursement arises in part out of provisions contained in the Social Security Act, and the formula for the computation of benefits thereunder--again matters over which the railroad industry has no control. With respect to legislation enacted repealing restrictions on dual benefits (discussed hereafter), the railroads have consistently opposed such legislation."

"The Committee feels that is would therefore be unfair to the railroad industry to saddle the carriers with the costs of phasing out dual benefits."

"But these costs must be met--by someone. The Committee has therefore authorized appropriations to meet the costs for the future of phasing out dual benefits. A precedent exists for this approach. Congress provided in 1940 that military service would be creditable under the Social Security Act, without any contributions being made by the serviceman. A similar provision was made for the Railroad Retirement Act. Appropriations were authorized to meet the costs of these wage credits, provided by Congressional action, and each year since 1956, appropriations have been made for that purpose, and such appropriations continue to be made."

"The deficit in the Railroad Retirement system has occurred in part because of Congressional action (1) liberalizing benefit eligibility under the Social Security system and (2) repealing restrictions upon dual benefits contained in the Railroad Retirement Act. Following the precedent set with respect to military service free wage credits, the Committee proposes that appropriations be made to cover the costs of phasing out dual benefits which have been provided by Congressional action."

As is clear from this statement, the Congress considered the various alternatives available for funding windfall dual benefits and determined that the fairest thing was to fund them from general revenues. Accordingly, section 15(d) of the Railroad Retirement Act (45 U.S.C. §231n(d)) "authorized to be appropriated to the Railroad Retirement Account for each fiscal year. . . .such sums as the Board determines to be necessary" to pay the full costs of the windfall dual benefits. It directs that the Board "shall, at the time of each actuarial valuation. . . .re-evaluate the amount /of the windfall costs/. . .for the purpose of determining the amounts to be appropriated thereunder." The assumptions used by the Board's chief actuary in the triennial valuation are set by an actuarial advisory committee established by law, composed of actuaries designated by labor, management, and the Secretary of the Treasury. The latest actuarial valuation, completed in 1979, determined that an annual appropriation of $500 million was needed to fund windfall dual benefits as provided by law.

Limiting the annual windfall appropriation of $350 million would, in the absence of a reduction in windfall benefits, which the Congress opposed, require the railroad industry, contrary to the intent of Congress to bear the difference in cost. Such an action would add significantly to the financial difficulties of the railroad retirement fund, which, in the absence of corrective legislation, is expected to have insufficient funds to pay full benefits some time in 1983. Although full funding of windfall dual benefits would not, by itself, be sufficient to avert the projected 1983 cashflow problem, such funding in accordance with the 1974 Act would have significant effect on the long-term solvency of the account.

Mr. Adams: On January 14, 1981, on behalf of the Administration, I sent the President of the Senate a bill "To amend the Railroad Retirement Act of 1974 to provide that the amount authorized to be appropriated to the Railroad Retirement Account each fiscal year to subsidize the costs of 'windfall' benefits shall not exceed $350,000,000" (E. C. No. 290). As stated in the following communication, "sound public policy dictates that there be a ceiling on the amount of dollars flowing from the general taxpayer to pay the cost of the windfall benefits."

January 14, 1981

Honorable Walter F. Mondale
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed for the consideration of the Congress is a bill "To amend the Railroad Retirement Act of 1974 to provide that the amount authorized to be appropriated to the Railroad Retirement Account each fiscal year to subsidize the costs of 'windfall' benefits shall not exceed $350,000,000". A bill, identical in substance, was submitted to the 96th Congress for its consideration.

The bill would amend section 15(d) of the Railroad Retirement Act of 1974 (Public Law 93-445; 45 U.S.C. § 231n(d)) to place a cap of $350,000,000 on the amount that may be appropriated each fiscal year under that section for the payment of "windfall" benefits to individuals under sections 3(h), 4(e), and 4(h) of the 1974 Act and to certain other individuals under sections 204(a)(3), 204(a)(4), 206(3), and 207(3) of the transitional provisions in title II of Public Law 93-445. Under current law, there is no maximum specified for the subsidy amounts that may be appropriated under section 15(d).

When Congress restructured railroad retirement benefits in 1974 into (1) a social security equivalent, (2) an industry pension, and (3) a windfall component, the cost to the general taxpayer of subsidizing railroad windfalls was estimated to require 25 level, annual appropriations of $250 million, for a total subsidy of $6.25 billion. In the 1976 Railroad Retirement Board 13th Actuarial Valuation, the windfall costs were re-estimated at $363 million annually, a 45 percent increase in two years. In the 1979 14th Actuarial Valuation, the latest re-estimate, windfall costs were projected at $500 million annually--twice the initial 1974 estimate. Since the $500 million estimate does not assume any inflation after 1980, the estimated cost is virtually certain to increase again in the Board's next Actuarial Valuation, scheduled for 1982.

To address this problem, in February 1979, the Administration submitted to the Congress a legislative proposal which provided for the elimination of all future cost-of-living increases in the windfall benefits occurring before actual payment and also the elimination of the use of the social security minimum primary insurance amount in calculating the initial windfall entitlement. This proposal would have reduced by $50,000,000 the annual windfall cost to the Treasury from $363,000,000 to $313,000,000. However, due to the most recent projections of $500,000,000 per fiscal year to pay the cost of windfall benefits, the approach advanced in that proposal will no longer solve the financial drain on the Treasury created by the payment of windfall benefits. It is apparent that without a change in existing law limiting the cost of windfall benefits, there will be an ever-increasing drain on the general fund of the Treasury.

Sound public policy dictates that there be a ceiling on the amount of dollars flowing from the general taxpayer to pay the cost of the windfall benefits. The $350,000,000 ceiling set forth in the draft bill being submitted is a full 40 percent greater than the $250,000,000 contemplated at the time of the 1974 legislation and is the maximum amount the Administration believes should be made available from the general fund of the Treasury for this purpose.

The Administration recognizes that neither railroad labor nor railroad management may fully support this proposal because it does not attempt to resolve the underlying actuarial issue of funding the ever-increasing costs of windfall benefits. In this regard, the Administration urges both railroad labor and management to address the windfall benefit problem as part of their current negotiations on railroad retirement so that it is part of the joint recommendations they submit to the Congress on March 1, 1981, in accordance with section 2 of Public Law 96-582, and so that it will not continue to exacerbate the already serious actuarial deficit of the Railroad Retirement Account.

The Administration urges prompt and favorable consideration of the enclosed legislation. On January 13, 1981, the Office of Management and Budget advised that enactment of this legislative proposal would be in accord with the program of the President.

Sincerely yours,

/s/ William P. Adams

William P. Adams
Chairman

Senator Abdnor: The railroads are a private industry, yet the Government continues to pay a portion of its retirement benefits, which most other industries pay themselves. Why should the Federal Government continue to subsidize railroad pension plans?

Mr. Chamberlain and Mr. Oliver: Our answer to the preceding question gives the rationale for appropriating from general funds the cost of the social security windfall benefits paid to save dual beneficiaries. As the Congress made clear in 1974, this appropriation for windfall benefits for work outside the railroad industry cannot properly be characterized as a subsidy to the railroad retirement system. In other words, the railroad retirement system received no subsidy from the Federal Government.

Mr. Adams: I assume your question addresses the windfall appropriation, because that is the only appropriation from general revenues currently received by the Railroad Retirement Account. It is true that under existing law, enacted in 1974, the windfall benefits are required to be funded by appropriations from general revenues. The original estimate of the cost of this funding made in 1974 indicated an annual appropriation level of $250 million for twenty-five years

(1976-2000, inclusive), would be required to pay the total costs of windfall benefits. The current estimate of the required annual appropriation for the remainder of the twenty-five year period (1982-2000, inclusive) is over $500 million, an increase of over 100 per cent since 1974. As stated in my answer to the preceding question, sound public policy dictates that there be a ceiling on the amount of dollars flowing from the general taxpayer to pay the cost of the windfall benefits. As stated in Executive Communication No. 290, set forth in my answer to the preceding question, the Administration urges both railroad labor and management to address the windfall benefit problem as part of their current negotiations on railroad retirement so that it is part of the joint recommendations they submit to the Congress and so that it will not continue to exacerbate the already serious actuarial deficit of the railroad retirement account. In the absence of any such joint recommendations, the Congress should consider a change in existing law to assure that the liability of the Railroad Retirement Account for windfall benefits in any fiscal year does not exceed the aggregate amount appropriated for such benefits in order to avoid this additional drain on the account and avoid accelerating the point in time when there could be insufficient funds in the account to pay all benefits due and payable under existing law.

Senator Abdnor: The railroad retirement trust fund is paying out more in benefits than it receives in revenue. One proposal to place the system's financial relationship with social security on a monthly basis might bring short-term financial relief. What would be the effect upon the social security trust fund by such a move?
Mr. Adams: The procedure to be followed to place the financial interchange on a current monthly basis varies according to various proposals. One form would have all amounts accrued up to a certain date paid in one lump sum to the appropriate account and thereafter the transfer would be made every month.
Assuming this procedure and April 1981 as the first month of transfer, the following table shows the transfer to the railroad retirement system and the cumulative change in the social security trust funds. Amounts are in millions.

Year/Month	Current Law 1/	Proposed Law	Cumulative reduction in SSA funds 2/
(1981) April		$1,992	$1,992
May		100	2,092
June	$1,348	100	844
July		120	964
August		118	1,082
September		115	1,197
October		115	1,312
November		134	1,446
December		149	1,595
(1982) January		149	1,744
February		130	1,874
March		111	1,985
April		111	2,096
May		112	2,208
June	$1,565	112	755
July		135	890
August		132	1,022
September		129	1,151

1/ Includes interest from date of accrual to date of transfer.

2/ Does not reflect effect of investment earnings on the OASDHI trust funds.

As can be seen from the table, the initial transfer from social security would be close to two billion dollars. As of the end of June 1981, the month in which the transfer for fiscal year 1979-80 is due under present law, the net effect on social security would be a reduction of $844 million over present law. Thereafter the funds would run 0.8 to 2.2 billion dollars lower than under present law, as there is a range of 8 to 20 months advance in the date of transfer.

The resulting reduction in investment earnings by the social security trust funds should be offset by a reduction in the amount of interest included in the transfers to the railroad retirement system. Therefore, advancing the date of transfer will have no long-range effect on the soundness of the social security trust funds.

Senator Abdnor: Is there a Federal obligation to resolve financial problems in railroad retirement in the absence of any agreement between labor and management as to what steps might be appropriate?

Mr. Chamberlain and Mr. Oliver: We have every expectation that labor and management will agree on steps to resolve the financial problems of railroad retirement and recommend them to the Congress. Should, however, they report to the Congress that they are unable to agree and have no prospects of agreement, we believe the Congress will necessarily have to find a resolution in order to avoid bankruptcy of the fund. We emphasize that we do not expect the Congress to have to take such action.

Mr. Adams: I do not believe there is any legal obligation on the part of the Federal Government to resolve financial problems in railroad retirement in the absence of any agreement between labor and management as to what steps might be appropriate. I do believe, however, that, in the absence of any such labor-management agreement, the Federal Government has a strong moral obligation to guarantee railroad retirees a benefit level equal to the social security equivalent level of benefits. It seems to me this is the primary purpose underlying the financial interchange arrangement with the social security trust fund. Therefore, in the absence of any labor-management agreement which would preserve such a level of benefits, I believe the Federal Government should take the initiative to preserve that level of benefits. Any such action initiated by the Federal Government would require a change in the law well in advance of the time when the Railroad Retirement Account is projected to run out of funds. If a change in the law is required and it is delayed too long, there would be insufficient funds in the Railroad Retirement Account to preserve the social security level of benefits, and the Congress would be faced with a choice of letting benefits drop below the minimum social security equivalent level or of making up the difference by another appropriation from general revenues. If the Federal Government is forced to take the initiative in this matter, the level of windfall benefits should be addressed at the same time in order to provide that in any fiscal year, the total benefits paid should not exceed the aggregate amount of appropriations for such benefits. To do otherwise would impose an unfair burden on the Railroad Retirement Account from which the full amount of windfall benefits must be paid under existing law, regardless of whether the full amount for such benefits is appropriated.

Senator Abdnor: You have indicated that an annual Federal appropriation of $500 million is needed to pay windfall railroad retirement benefits instead of $350 million previously appropriated. The General Accounting Office, however, indicates that you have failed to reflect the fact that your private pension costs are reduced by about 23 percent of the $500 million.

Why don't you therefore adjust your estimate of needed windfall appropriations downward, to more accurately reflect true needs?

(BACKGROUND: If the $500 million currently estimated by the Railroad Board is reduced by 23 percent, the true need would be about $375 million -- close to actual appropriations. If interest were added to the $350 million appropriations, the actual amount available would exceed $375 million.)

Mr. Adams: The GAO proposal would reduce the amount of the windfall appropriation by the amount that the tier II annuity component is reduced by the so-called "offset provisions" which were contained in the Railroad Retirement Act of 1937.

Briefly stated, these offset provisions required that, where an employee was in receipt of both a railroad retirement annuity and a social security benefit, the increases provided by the 1966, 1968 and 1970 railroad retirement amendments be offset by the approximate increase in his social security benefit due to the social security amendments of 1965, 1967 and 1969. The 1974 Act retained these offset provisions in the tier II annuity component. However, they only become applicable when an individual becomes entitled to the windfall annuity component. The question thus becomes should the amount of general revenue funds required to fund the windfall be reduced by the amount of savings to the Railroad Retirement Account caused by the reduction in the tier II amount when an individual becomes entitled to the windfall component due to the incorporation of the offset provisions.

Although a response to this question is highly technical in nature, I will provide a brief response to this question.

This question rests on the premise that there is a savings to the Railroad Retirement Account due to these offset provisions which did not exist under the Railroad Retirement Act of 1937. This is not true. The Railroad Retirement Account was not required to bear this cost under the 1937 Act.

Any savings to the Account under the 1937 Act due to the offset provisions has merely been continued under the 1974 Act. There is no additional savings to the Railroad Retirement Account which did not exist under the 1937 Act.

Any modification, such as that proposed by the General Accounting Office, would in fact increase the cost to the Railroad Retirement Account over that which existed under the 1937 Act. When the 1974 Act was passed it was agreed that it was a Federal responsibility to fund the windfall and a railroad industry responsibility to fund tier II. The undertaking by the railroad industry was premised on an understanding that there would be no change in the obligation of the Railroad Retirement Account from that existing under the 1937 Act. Such a change as is contemplated by this question would increase the costs of the retirement system in a way not contemplated or agreed to by the railroad industry.

SUBCOMMITTEE RECESS

Senator ABDNOR. The subcommittee will recess until 2 p.m. this afternoon when we will meet in this room to discuss the appropriations request for the Corporation for Public Broadcasting, the Library Commission, and the President's Commission on Ethical Problems in Medicine.

[Whereupon, at 11:20 a.m., Wednesday, March 11, the subcommittee was recessed, to reconvene at 2 p.m., this same day.]

(Afternoon Session, 2:05 p.m., Wednesday, March 11, 1981)

CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF ROBBEN W. FLEMING, PRESIDENT

ACCOMPANIED BY:
- FRED P. WACKER, VICE PRESIDENT, ADMINISTRATION, AND TREASURER
- LILLIE E. HERNDON, CHAIRMAN OF THE BOARD
- SHARON P. ROCKEFELLER, MEMBER OF THE BOARD
- MICHAEL KELLY, MEMBER OF THE BOARD

SUBCOMMITTEE PROCEDURE

Senator Specter [presiding]. The subcommittee will come to order.

This afternoon we will hear testimony from three related agencies in the Labor, Health and Human Services, and Education appropriations.

We will start with the Corporation for Public Broadcasting, to be followed by the National Commission and Information Sciences, and we will conclude this afternoon with testimony from administration witnesses from the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research.

Chairman Fleming from the Corporation for Public Broadcasting is here to discuss President Reagan's request and the Corporation's recommendations for fiscal year 1984 advance funding.

PREPARED STATEMENT

Your full statement will be inserted in the record. The practice of the subcommittee is to have a condensation hitting the highlights and leave time for questions that can be accommodated on your agenda.

[The statement follows:]

STATEMENT OF ROBBEN W. FLEMING

On behalf of the Corporation for Public Broadcasting, I appreciate this opportunity to appear before you in support of our appropriation request for fiscal year 1984 and to give you our views with respect to the budget reductions proposed by the President for fiscal years 1982 and 1983.

PRINCIPLES INVOLVED IN CPB'S FUNDING MECHANISM

The current advance year funding mechanism for public broadcasting -- a mechanism which has been supported by three successive Presidents and several Congresses -- was the result of long and careful study and deliberation. This mechanism, by which CPB receives its federal appropriation two years in advance of the budget year, reflects three basic principles:

° INSULATION; affording a degree of protection and separation for public broadcasting from pressures which may occur through the annual budget and appropriation process as a result of the airing of momentarily unpopular programming.

° PREDICTABILITY; allowing both CPB and the stations to anticipate a stable level of funding over a period of time in order to provide adequately for programs and services for the communities they serve.

° PLANNING; allowing CPB, the stations and others to make long-term commitments which are so crucial to the production of high quality programming.

These key principles were embodied in the 1975 Public Broadcasting Financing Act and reaffirmed in the 1978 Public Telecommunications Financing Act and related legislative history. They are central to the essential nature and well-being of public broadcasting. We believe that these three principles must be kept paramount in any discussion of budget adjustments.

CURRENT STATUS OF CPB'S AUTHORIZATIONS AND APPROPRIATIONS

Under current legislation, the Corporation's funding authority extends through the FY 1981-FY 1983 period. Consistent with the advance funding mechanism I have already mentioned, appropriations for these years have already been enacted into law. The 1978 Act directs the Secretary of the Treasury to make these appropriations available to CPB upon certification of the required matching Non-Federal Financial Support at the outset of each fiscal year. As in past years, public broadcasting again will have no trouble meeting the required level of matching Non-Federal Financial Support.

With respect to our FY 1982 appropriation, we have already stated our opinion to the Administration that the action proposed by the President to rescind a portion of our FY 1982 appropriation is not in accord with the provisions of the Impoundment Control Act of 1974. We urge the Committee not to support a rescission proposal which will be vulnerable to legal attack.

With respect to FY 1984 and beyond, no authorizing legislation presently exists. Since we are not certain of the congressional timetable for consideration of a new bill, we have based our FY 1984 request upon an extension of the principles contained in the 1978 Act. On this basis, our request before you calls for an FY 1984 appropriation of $293 million, this being the amount which public broadcasting could match, at a 1:2 ratio of federal to non-federal financial support.

Without going into great detail, I would like to describe the thrust of our request within the context of CPB'S recently adopted 5-Year Plan for the development of public telecommunications and the 1978 Public Telecommunications Financing Act.

The Corporation's Board of Directors adopted the 5-Year Plan at its February meeting. By this action CPB has met a major requirement of the 1978 Act and has defined its goals and objectives in the area of Television and Radio, New Telecommunications Services, Educational Telecommunications Services and Human Resources Development, along with an estimate of financing requirements. The amount of $293 million represents an initial and important financial step towards implementing the 5-Year Plan. In combination, the funding level and the Plan allow CPB to move aggressively towards the goals and objectives specified in the 1978 Act. In that legislation the Congress reaffirmed and expanded the Corporation's mission in several important areas;

- Increased support for CPB radio and television production
- Continued emphasis on direct station support
- Increased support to public radio
- Greater emphasis on non-broadcast and new telecommunications services
- Greater financial and management accountability
- Extension of public radio coverage

IMPACT OF PROPOSED BUDGET REDUCTIONS

The CPB Board recognizes that public broadcasting cannot and should not be immune from review and assessment of its activities and budget. We would point out, however, that for the FY 1981-1983 period we are already facing a leveling off of the federal appropriation, with increases totaling only 6.2% for the entire 3-year period. These appropriation levels are considerably less than what could be generated under the matching formula. As a result, CPB has found it increasingly difficult to respond in a meaningful way to many of the policy directives which are contained in the current Act.

The impact of the Administration's present budget proposals, however, would have a much more profound impact on both public broadcasting and CPB's activities. It would require a reorientation of CPB's budget in several areas. We would be forced to reduce our financial support toward the production of high quality programs for national distribution. This would involve both radio and television and would very likely result in fewer programs being made available to the stations. The stations then would be faced with increased responsibility for program production while at the same time having fewer total dollars available to do the job.

Second, we would have to reduce substantially our commitment to exploring and exploiting the uses of non-broadcast and other new technologies to extend public telecommunications services. This would be particularly unfortunate since these new technologies offer such clear opportunities and challenges for public telecommunications as a means to extend services and to generate additional sources of financial support.

Third, we would undoubtedly be forced to discontinue our efforts to extend radio service to unserved or underserved population centers, and, in light of the Administration's proposal to discontinue the Public Telecommunications Facilities Program (PTFP), eliminate CPB's continued involvement in this area because it would further burden an already strained CPB budget.

Finally, allocations for direct station grants would inevitably be reduced. At the same time many of these stations face concurrent reductions from local tax sources effective July 1, 1981. This will place even greater reliance on planned CPB allocations. In addition, certain fixed, system-wide expenses which CPB has up until now paid for on behalf of the stations will have to be passed on, either in whole or in part, to the stations. Expenses such as music royalty fees are fixed and cannot be changed even if the overall funding level and resulting level of activity were reduced. This obviously has a direct impact on the resources available to the stations for their operations.

Beyond these areas, other CPB support activities including program-related support activities in audience research and training grants for women and minorities at the station level would be reduced, as would administrative expenses.

CPB PRIORITIES AT REDUCED FUNDING LEVELS

Within the context of budget reductions proposed by the Administration, the CPB Board has asserted that the Corporation would continue to fund what are now its two largest budgetary activities: direct unrestricted grants to stations, and financial support of high quality programming for national distribution. Each has as its policy underpinning a long history of legislative and Board direction which require that these two activities receive the highest priority in the allocation of CPB resources. We would also attempt to maintain our efforts in the area of educational public telecommunications since that was the original mission of public broadcasting and remains an important reason for its existence. In addition, maintaining an adequate level of support in this area is imperative if CPB is to adequately administer the recent Annenberg gift of $150,000,000, plus other gifts and grants.

With respect to these grants to stations, the 1978 Act requires that they reach a specified minimum in order to help stations serve their communities. Since the passage of that Act, CPB has allocated a greater portion of its budget for these grants than required by law. At present, for example, CPB distributes 60.4% of its appropriation to the stations as unrestricted direct station grants, compared to the minimum of 50% required by law.

On average, these funds represent about 15 percent of a typical station's budget, but their importance is much greater than the figure suggests. These grants are critical because they represent discretionary funds available to the stations to use in a variety of ways. Reports to CPB clearly show that the majority of these funds are used for program production-related activities of both a local and national nature. Recent hearings that we have conducted across the country on this subject confirm the central role which these funds play in the ability of a station to meet the needs of its community.

As to CPB support for high quality radio and television productions made available for national distribution, the 1978 Act states that production funds will constitute "a significant portion of funds available [to CPB]". That there is a need for a source of production support funds available at the national level can be clearly demonstrated. It is equally clear that such funds must be of sufficient size if they are to have an impact on the creation of new programs and sustaining existing quality program services that are responsive to the needs of all the American people. As a general proposition, it may be said that to constitute the needed critical mass, program funds need to equal 25 percent of the appropriations contemplated in the FY 1982 - 1986 period.

It is fair to say that if there were no mechanism at CPB to stimulate and support the development of high quality innovative programming at the national level, such a mechanism would have to be created. As long as public broadcasting remains a locally-based confederation of stations with differing perspectives -- a great strength -- some mechanism would have to be devised which recognizes the diverse needs, views and interests of the stations, and provide programs that respond to national needs and unserved audiences. It is logical, also, to place that mechanism in an organization not directly beholden to any particular constituency other than the American public, and one that has no control over the scheduling, promotion, and distribution of programming -- thereby precluding any charge of "networking".

There are other equally practical reasons why there must be a means of financing the production of nationally distributed programs through CPB.

1. There is a need, as the expectation of public broadcasting audiences grows, to supplement local station schedules

with programs of more than local interest, but ones which will enrich and enlighten local audiences.

2. There is a need for a source of funds to provide seed money for program production. Such television programs as Nova, Electric Company, Dance in America, Cosmos and radio's All Things Considered could not have been initially developed and made available without this source of funding.

3. There must be a source of long-term funding that can make the kind of commitments over several years which many production efforts require. A recent example is CPB's decision to fund a drama project over a 3 year period with a contribution of $7.5 million. In addition, the stations have already augmented this effort with their own contribution of $4.0 million, with additional station funds expected.

4. A single source of program funding will take risks on new or innovative program concepts which a majority of stations are reluctant to take, but which nevertheless may provide a valuable program service.

5. A well respected source of funding can serve as an important stimulus for outside parties to join as co-funders. CPB's experience has shown that because of its initial commitment it has been possible to attract outside funders to join in production efforts almost on a dollar for dollar basis.

It is our belief that CPB's program funding efforts have benefitted both the stations and the American people whom public broadcasting serves.

CONCLUSION

In closing, Mr. Chairman, let me restate our basic position. First, we believe that the principle of advance year funding is of paramount importance. The purposes of advance year funding --

insulation, predictability and planning -- are, as our Board said at its last meeting, "as sound now as they were when those laws were adopted" which put this mechanism in place. Our FY 1982 appropriation, which was enacted into law in 1979, should not now be retroactively reduced under the rescission procedure.

Second, we recognize the close scrutiny which all publicly funded enterprises are now undergoing, and we do not presume that public broadcasting is immune from it. We are prepared to discuss the proposed budget reductions as you review the President's FY 1982 budget, which includes CPB's FY 1984 appropriation. We believe that this is the appropriate time to undertake such a review.

Third, the Board of Directors of CPB has stated unequivocally that direct unrestricted grants to the stations and funding of high quality radio and television programs are both high priorities which should be retained even if reduced funding levels become necessary. We do not see this as an either/or situation, but rather a mutually beneficial relationship in which strong, locally-based stations and vital, creative and responsive programming go hand-in-hand in providing the best in the way of non-commercial, educational program services to the American public.

This concludes my statement. I would be glad to respond to any questions you may have.

INTRODUCTION OF ASSOCIATES

Mr. FLEMING. Thank you, Mr. Chairman and Senator Schmitt. Our colleagues who are here, on my immediate left is Lillie Herndon from South Carolina who is, in fact, the chairman of the board. I'm the president. Sharon Rockefeller on my far left, who is a member of the board, and on my immediate right is Fred Wacker, who is our financial vice president.

Senator SPECTER. You are the president?

Mr. FLEMING. I am the president; Mrs. Herndon is the chairman.

Senator SPECTER. You'll have to tell us who has seniority.

Mr. FLEMING. She clearly does.

Senator SPECTER. Spoken very gallantly and perhaps even accurately.

Mr. FLEMING. It's not only gallant; it's entirely accurate.

ADVANCED YEAR FUNDING

Mr. Chairman, we are here, of course, with respect to both our 1984 budget, which for reasons you understand, we normally bring up at this time of year, and also to talk about the proposed budget reduction.

The first thing I'd like to mention in this connection is the advanced year funding principle, which guides the operation of the Corporation. Under that mechanism, which now has been supported by three successive Presidents and several Congresses, we know at least 2 years ahead what our appropriations will be, so that we would know now our 1982–83 appropriations will be, and we would be normally testifying, as indeed we are here today, partly with respect to our 1984 budget. There really are three very important reasons why this advanced year funding mechanism is a very important device.

In all the democratic countries of the world,where the governments have chosen to invest in public broadcasting, there arises the problem of whether, if the government is going to invest in public broadcasting, there is a danger that it may dominate the programing. Of course, all of us in democracies would deplore that. It's never a problem in the totalitarian countries, but it's a serious problem in the democratic countries. Therefore, the very wise device was created to deal with this problem. It insulates public broadcasting by giving a 2-year advance appropriation to the Corporation. If the stations are doing their job and really presenting a wide spectrum of programing, some of which is bound at one time or another to annoy various of its listeners, it will not become a cause celebre at the time when our appropriation is being considered before the Congress.

Therefore, public broadcasting will be insulated and isolated from the political pressures of the moment. By keeping that advance appropriation, it has been of enormous aid and assistance to the whole system in maintaining the integrity of its programing.

Quite apart from the dollars involved, it's an enormously important principle to the whole system. You'll hear a great deal about it from all of us.

Apart, of course, from insulation, there's the question of predictability. You understand that the stations are licensed to different types of bodies, many of them to universities, many to State school boards, others to local school boards, and finally, to nonprofit community organizations. Universities, particularly, tend to have fiscal years which start on July 1, rather than on October 1 as does the Federal Government's. Those stations, if there's to be synchronization with the balance of their budgeting, really need to know budget figures in advance, so that the whole thing can be meshed, and they can be in operation in advance of the Federal Government's normal fiscal year, October 1.

It has been a great aid in the stability of the system to have that kind of predictability.

Finally, I would like to address program planning. In this kind of a business you cannot develop programing overnight, there must be some time to produce that programing. To produce it, financial commitments to it must be made. To do that, one must know that the money will be available.

For all of those reasons, this principle of advance funding has been very important to the whole system of public broadcasting. That's why we lay so much stress upon it. Those principles were embodied first in the 1975 Public Broadcasting and Financing Act, reaffirmed again in the 1978 act, and they're essential to our concept.

CPB AUTHORIZATION AND APPROPRIATION

Having said that, I now turn to the question of the current status of our authorization and our appropriations. Our current funding authority extended from the period of fiscal 1981 through fiscal 1983 and, therefore, we knew what those appropriations were going to be through that period of time. They have been appropriated. They have been recorded by the Secretary of the Treasury. We can predict revenues because the whole principle of funding works on the so-called match under which public broadcasting gets $1 Federal for every $2 they raise in their own efforts up to the appropriated ceiling.

One can see the stations right now involved in efforts to raise funds as a matter of fact.

With respect to our 1982 appropriation, we believe that under the Impoundment Control Act of 1974, there is a serious legal question as to whether there can be rescission, given that the Corporation is a private corporation, and having had funds already appropriated to it. In any event, we say that more in passing than we do to make an issue of it here.

RESCISSION

Senator SCHMITT. Mr. Chairman, could I interrupt for a minute? If you would supply for the committee any statements available from your counsel or summary on that issue, we would appreciate it.

Mr. FLEMING. We did supply to the Office of Management and Budget a brief, which was written originally several years ago when that issue arose. We brought the brief up to date, supplied it to the OMB, and we'd be glad to see that you have that same information.

Senator SCHMITT. Thank you.

Thank you, Mr. Chairman.

[The information follows:]

APPLICABILITY OF CERTAIN PROVISIONS OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 TO THE CORPORATION FOR PUBLIC BROADCASTING

This memorandum will discuss the applicability to the Corporation for Public Broadcasting of the impoundment control provisions of the Congressional Budget and Impoundment Control Act of 1974, P.L. 93-334; 88 Stat. 297 (the impoundment control provisions appear at 31 U.S.C.A. 1400 et seq.)

I. BACKGROUND

Rescission constitutes the repeal or alteration of an existing budget authority. Rescission requires a determination by the President that "all or part of any budget authority will not be required to carry out the full objectives or scope of programs for which it is provided" or that "such budget authority should be rescinded for fiscal policy or other reasons (including the termination of authorized projects ...)." 31 U.S.C.A. 1402 (a).

The Congressional Budget and Impoundment Control Act of 1974 ("Impoundment Control Act") requires that the President make a formal rescission proposal to the Congress and provides that the rescission becomes effective only if the Congress acts favorably on that proposal within 45 days. 31 U.S.C.A. 1402(a) and (b).

For the reasons discussed in this memorandum, the Impoundment Control Act does not permit rescission of amounts appropriated to the Corporation for Public Broadcasting pursuant to the Public Broadcasting Act of 1967, as amended, 47 U.S.C.A. 396, 396(k) and the relevant appropriation acts, e.g. P.L. 96-38.

II. RESCISSION AND THE PUBLIC BROADCASTING FUND ESTABLISHED PURSUANT TO THE PUBLIC BROADCASTING ACT OF 1967, AS AMENDED

The Impoundment Control Act of 1974 does not permit the rescission of amounts appropriated to the Public Broadcasting Fund:

A. The Impoundment Control Act does not permit rescission when other provisions of law require outlays (spending). The Public Broadcasting Act of 1967, as amended by The Public Telecommunications Financing Act of 1978 ("The Financing Act")

> requires disbursement of amounts appropriated to the Public Broadcasting Fund.

The Impoundment Control Act of 1974 was adopted to reclaim Congressional prerogatives in the establishment of priorities for Government programs and Government spending from the Executive Branch. It was not an Act designed to expand Presidential powers over Congressionally-endorsed Government expenditures, but to reduce them again to constitutional proportions. A superficial reading of the Impoundment Control Act might lead to the incorrect conclusion that all "appropriations" are potentially subject to rescission. To the contrary, Congress in creating a statutory discipline within which the Chief Executive must operate when he believes good reasons exist for rescission or deferral of "budget authority", carefully drafted the Impoundment Control Act to restrict the application of its rescission and deferral provisions to only those situations in which expenditures were authorized and an appropriation made for them. To permit the President any rescission or deferral power in instances where Congress had required expenditures and appropriated for them would have given the President more, rather than less, "clout" over prerogatives the Congress wished to retain for itself. Thus, the Impoundment Control Act begins with a significant disclaimer:

> Nothing contained in this Act, or in any amendments made by this Act, shall be construed as --
>
> (1) asserting or conceding the constitutional powers or limitations of either the Congress or the President;
>
> (2) ratifying or improving any impoundment heretofore or hereafter executed or approved by the President or any other Federal officer or employee, except insofar as pursuant to statutory authority then in effect;
>
> (3) affecting in any way the claims or defences of any party to litigation concerning any impoundment; or
>
> (4) superseding any provision of law which requires the obligation of budget authority or the making of outlays thereunder.
> 31 U.S.C. 1400 (emphasis added).

The Public Telecommunications Financing Act does both of the things described in paragraph (4) of the disclaimer: it requires the obligaton of budget authority and it requires the making of outlays pursuant to budget authority:

> "Financing; Open Meetings and Financial Records
>
> "(k)(1)(A) There is hereby established in the Treasury a fund which shall be known as the Public Broadcasting Fund (hereinafter in this subsection referred to as the 'Fund'), to be administered by the Secretary of the Treasury.
>
> * * * *
>
> "(C) There is authorized to be appropriated to the Fund for each of the fiscal years 1981, 1982, and 1983, an amount equal to 50 percent of the total amount of non-Federal financial support received by public broadcasting entities during the fiscal year second preceding each such fiscal year, except that the amount so appropriated shall not exceed $180,000,000 for fiscal year 1981, $200,000,000 for fiscal year 1982, and $220,000,000 for fiscal year 1983.
>
> "(D) Funds appropriated under this subsection shall remain available until expended.
>
> "(2)(A) . . . The Corporation shall determine the amount of non-Federal financial support received by public broadcasting entities during each of the fiscal years referred to in paragraph (1) for the purpose of determining the amount of each authorization, and shall certify such amount to the Secretary of the Treasury, . . .". Upon receipt of such certification, the Secretary of the Treasury shall make available to the Corporation, from such funds as may be appropriated to the Fund, the amount authorized for each of the fiscal years pursuant to the provisions of this subsection.
>
> "(B)" Funds appropriated and made available under this subsection shall be disbursed by the Secretary of the Treasury on a quarterly basis, in such amounts as the Corporation certifies will be necessary to meet its financial obligations in the succeeding quarter. 47 USC 396(k) as amended by Section 307, Public Telecommunications Financing Act of 1978, Pub. L. 95-567; 92 Stat. 2415, 2416. (emphasis added).

The quoted portions of Section 396(k) clearly provide that amounts appropriated to the Fund are obligated to the Corporation, or stated otherwise, that the Secretary is required to make outlays from the Fund upon the Corporation's certification. The legislative history of the subsection is equally clear:

> [Section 396(k)] stated that the funds shall be disbursed by the Secretary of the Treasury on a quarterly basis, in such amounts as the Corporation certifies will be necesary to meet its financial obligations in the succeeding quarter. Nothing contained in this paragraph should be construed as giving the Secretary of the Treasury any authority to oversee the Corporation or its quarterly certification of fiscal needs. The

> Treasury's role is intended to remain limited to disbursement of funds in accordance with the corporation's quarterly certification. H. Rep. 95-1178, 95th Congress, 2d Sess., p. 26. (emphasis added).

> Without intending in any way to disparage the prudent business practices of the Corporation, or to suggest that the Department of the Treasury should in any fashion exercise review powers over the amounts withdrawn from the Fund by the Corporation, it is the view of the Committee that a more orderly, yet flexible, system of disbursement of these funds is necessary to assure proper management of Federally appropriated funds. Accordingly, S.2883, as reported, provides that the Corporation may withdraw funds from the Fund on a quarterly basis to meet its cash needs for the succeeding quarter. Section 306 of the bill directs the Secretary of the Treasury to disburse to the Corporation such amounts as the Corporation estimates to be its spending requirements for the next three months. Under no circumstances should the Secretary of the Treasury review, disapprove, or modify the amount certified by the Corporation. S. Rep. 95-858, 95th Cong., 2d Sess., pp. 14-15. (emphasis added).

> The section is also amended to require that funds appropriated to CPB must be disbursed by the Secretary of the Treasury on a quarterly basis, in such amounts as the Corporation certifies will be necessary to meets its financial obligations in the succeeding quarter. Ibid., p. 30. (emphasis added).

By its own terms, therefore, the Impoundment Control Act of 1974, does not support rescission of any amount appropriated to the Public Broadcasting Fund in FY 1982 or any other year.

> B. "Rescission" would compromise the stability, freedom, and independence Congress provided public broadcasting in the Public Telecommunications Financing Act.

From the very first, Congress and the Executive Branch have recognized that "long-range funding" of public broadcasting is a requirement if its Constitutional freedoms are to be protected. That recognition extends throughout the legislative history of the Financing Act and its predecessors. As President Ford noted in transmitting the legislative proposal that resulted in the first long range funding act for public broadcasting:

> A recurring question in public broadcasting has been how to reconcile Government funding with the possibility of Government control. On the one hand, if Federal funds are used to support public broadcasting, the Government must be able to evaluate how the funds are spent. To do otherwise would be irresponsible. On the other hand, strict accountability by public broadcasting to the Government can lead to Government direction of programming, which is contrary to the principles of free expression on which our Nation was founded. It is this issue alone which requires that the Congress consider a five-year appropriation for public broadcasting.
>
> This bill is a constructive approach to the sensitive relationship between Federal funding and freedom of expression. It would eliminate the scrutiny of programming that could be associated with the normal budgetary and appropriations processes of the Government. At the same time, it would still permit periodic review of public broadcasting by the Congress. I believe that it will assure the independence of noncommercial radio and television programming for our Nation; and, long-

> term Federal funding will add stability to the financing of public broadcasting which may enhance the quality of its programming. I urge the Congress to enact it promptly. Statement by the President, Gerald R. Ford, February 13, 1975. (emphasis added).

The long range funding concept was reaffirmed in legislation in 1978. President Carter commented in his transmittal:

> I am transmitting to the Congress today proposals to strengthen our public broadcasting system and to insulate it from political manipulation.
>
> The bill I am submitting with this message continues and increases long-term Federal funding for public television and radio. Financial stability is needed if public broadcasting is to provide better programs for more citizens and protect those programs from political pressures.
>
> These changes will also increase public broadcasting's insulation from inappropriate political influence. Other amendments will give it greater journalistic independence. I want to encourage public broadcasters at all levels to engage in active news reporting and public affairs programming. Message to Congress, Jimmy Carter, October 6, 1977. This message appears in H. Rep. 95-1178, 95th Cong. 2d Sess., 3-11. (emphasis added).
>
> The Committee believes that the practice of multi-year authorizations established in 1975, combined with forward funding, serves as a valuable mechnism for long-range planning by those charged with planning for the development of, and distributing Federal funds in support of, noncommercial educational and cultural radio and television programming. Likewise this practice lends an important element of stability to those who receive Federal funds. In addition to assisting in the planning process, advance year

authorizations and forward funding serve as a necessary insulation from extraneous political and other inappropriate interference with the operations and programming of individual entities engaged in program development and dissemination.

S. Rep. 95-858, 95th Cong., 2d Sess., pp. 5-6. (1978)

III. SUMMARY AND CONCLUSION

The rescission and deferral provisions of the Congressional Budget and Impoundment Control Act of 1974 are not applicable to the funds that the Secretary of the Treasury of the United States must disburse to CPB pursuant to the Public Telecommunications Financing Act of 1978 and appropriations pursuant to that Act.

January 29, 1981

FISCAL YEAR 1984 APPROPRIATION

Mr. FLEMING. With respect to 1984 and beyond, there is no authorizing legislation. We don't know at this point, perhaps Congress itself doesn't, the exact sequence of hearings which will be held between the authorizing legislation and the appropriations legislation. We are presenting our 1984 request in terms of the present law and the matching principle.

We're able to calculate the amount of income to be matched quite accurately. To project how much money will be raised in accordance with that proposed match, we calculated that in 1984, if the match were fully met, it would call for an appropriation of $293 million. For that reason, you'll find that figure stated in our testimony.

Senator SCHMITT. Mr. Chairman, I apologize again for interrupting, but as a member of the Subcommittee on Communications in Commerce, I can tell you that we're moving fairly rapidly to work on that reauthorization bill, but I do think it appropriate that this committee, the Appropriations Committee, proceed under the existing situation. But as soon as we have any inclination of what that reauthorization may be, we may adjust that before the final markup.

Mr. FLEMING. We understand that. We have presented our request the way we have because it is consistent with the present law. Therefore, we thought our testimony ought to be put in those terms. Without going into any great detail about it, we have, in accordance with the 1978 law, recently prepared a 5-year plan. Under that plan, we have discussed in some detail—Mrs. Rockefeller was the chairman of that committee—how we would dispose of these funds, should those kinds of levels be reached. I will not go into that at this point, but those factors were developed and are available in that report.

BUDGET REDUCTION

Let me turn then to the impact of the proposed budget reductions. First of all, the money which becomes available through the Corporation for Public Broadcasting to the stations in the form of unrestricted grants only constitutes an average of about 15 percent of the money required to run those stations. There are other funds, of course, that come from the States, from enterprises they are permitted under the law to operate, and from the gifts that come to them from foundations, and so forth.

With respect to those States which support stations, it is true, as I think most of us know, that those appropriations are likewise being reduced now. Therefore, we're not dealing with a situation in which only the Federal Government is proposing to cut its funds in support of public broadcasting; we're dealing with a much broader phenomenon. Even such organizations as the National Science Foundation, the National Endowment for the Arts, the National Endowment for the Humanities, and so forth, which are funded with Federal moneys, are also facing very substantial reductions in the proposed budget. This means that, outside of our budget, some $50 million in Federal funds will be eliminated from the funds which would otherwise have been available to public broadcasting.

Senator SPECTER. You're saying $50 million.

Mr. FLEMING. $50 million.

Senator SPECTER. In Federal funds?

Mr. FLEMING. In Federal funds, because those other agencies also underwrote portions of the programs.

Senator SPECTER. Do those funds have source in Federal moneys?

Mr. FLEMING. Yes; the National Endowment for the Humanities, National Endowment for the Arts, National Science Foundation, and so forth. They have moneys which they disburse, but they too are being subjected to cuts. The point I wanted to make, particularly, is that when considering reductions in our budget, one must remember that there are also these sort of snowballing effects that arise from other agencies, which likewise contribute, and with which we normally pool funds.

Senator SPECTER. Mr. Fleming, are you about to come to the reductions in the proposed budget?

Mr. FLEMING. Yes.

Senator SPECTER. As advocated by President Reagan?

Mr. FLEMING. Yes.

NON-CPB FEDERAL FUNDS

Senator SPECTER. If you are coming to that, I think it would be of importance to then specify these collateral reductions that you've just referred to.

Mr. FLEMING. Yes; I would prefer, if I may, with respect to them, in terms of amounts, to give you for the record afterwards. We've made a survey of that, a list which would show about what those reductions would amount to from each particular agency. I can tell you it's about $50 million in toto. Rather than try to cite the individual ones, I'd be glad to furnish for the record.

[The information follows:]

NON-CPB FEDERAL FUNDS

In fiscal year 1979 that Federal support other than CPB amounted to about $45 million, which breaks down as follows:

National Endowment for the Arts	$2,400,000
National Endowment for the Humanities	5,400,000
National Science Foundation	1,700,000
HEW	17,000,000
NTIA	18,000,000
Department of Transportation	200,000
Environmental Protection Agency	100,000

Projections show that by fiscal year 1982 at least $50 million might have gone into public broadcasting under the Carter budget. Most of the above agencies are affected by the rescission. It's generally not possible to tell exactly how the agencies' support of public broadcasting will be affected. It's reasonable to assume, however, that a 50-percent cut in the budgets of the National Endowments for the Humanities and Arts would substantially reduce or eliminate their media programs.

PUBLIC BROADCASTING INCOME

Senator SPECTER. That's as against the total budget of what?

Mr. FLEMING. I don't know that I can give you a total figure for all the budgets, because those would add up from all the stations across the country. I can give you a total figure of our budget. Our own budget this year is $162 million, and that would be cut. The proposed budget for 1982 would have been $172 million. That's being cut by 25 percent or $43 million. But I'm saying that aside from our cut of $43 million, there's another $50 million that would be cut from the other agencies.

Senator SPECTER. Your statement is that the $172 million is only about 15 percent of the support?

Mr. FLEMING. Not all of that budget, of course, goes out to the stations. The money we do send out to the stations which is about 60 percent of that $172 million——

Senator SPECTER. You're saying about $100 million which goes out constitutes about 15 percent of all the budgets of the affiliated stations?

Mr. FLEMING. That's an average. It would vary from station to station. It cannot go higher than 50 percent of any station's budget. That would happen only with a very small station that didn't have much other support. A very big strong station, it might go as low as 2 or 3 percent of their budget, but it is an average of 15 percent.

Senator SPECTER. Mr. Fleming, at a time when the President's program is being subjected to widespread analysis, and if you flick on the television screen on public broadcasting, you see predictions of dire results in terms of welfare payments. We saw that, for example, yesterday on ABC–TV. What would your response be as to why there should be significant funding, even to the extent of 75 percent of the anticipated budget for public broadcasting, at a time when there are such severe cuts pending on so many important social programs?

Mr. FLEMING. First of all, I think we would want to make it clear that we would not argue that public broadcasting can be immune from any cuts in a period in which the kind of cuts you describe are taking place. Indeed, we will not argue that there should be no cuts. We may argue some about amounts. We will not argue that there should be no cuts. When we argue about the rescission, we distinguish that from the matter of cuts.

We say that with respect to rescission, there is the advance funding principle which there are many reasons for Government itself to respect. That would only mean that the cuts would not start until 1984, but might then proceed in 1984, 1985, and 1986, so that in 1986, they could conceivably be at exactly the same level as the administration's proposed budget.

RESCISSION

Senator SPECTER. So your point is, that given your willingness to accept the cuts, you think the cuts inappropriately fall in 1982, because of your advanced planning?

Mr. FLEMING. And 1983.

Senator SPECTER. Aside from the issue of when, do you think the 25 percent proposed cut is excessive?

Mr. FLEMING. It is not excessive, I suppose, if one takes into consideration, in fact, the level of cuts in all of these other programs you mentioned. In a sense, public broadcasting has the same problem as a major symphony or a big orchestra. There is no way, I think, I would argue, that it can support itself, with the kind of programing which ought to distinguish it from the commercial broadcasting, without subsidies from some sources.

It can make part of its way, just as a symphony can; it cannot make all of its way.

Senator SPECTER. Public broadcasting has been the beneficiary, as you've testified, of substantial contributions from the private section, from big corporations, and from individual contributions.

Mr. FLEMING. Yes.

Senator SPECTER. In the cuts that came for the arts, for example, some said that private contributors would make up the balance. With your success from contributions, do you think there is any realistic possibility that you might make up this difference from private sources?

Mr. FLEMING. I think there is not in the immediate future. If two things happened, I think it might be made up over a longer period. One, if there were not the immediate rescission, there would be time to plan how to do this. That would help the stations to change their kinds of operations, in order to try and raise more private money. If that happened, and if, in new legislation, the stations are permitted to raise money in ways which some people will argue compete with the private enterprise system, then I think they may be able to operate.

The problem is, we can't have it both ways. We can't turn off the spigot of funds from public sources, and at the same time turn off the spigot from private sources, or the income those stations might be able to derive, if allowed to engage in some private enterprise.

NONFEDERAL FINANCIAL SUPPORT

Senator SPECTER. In your earlier testimony, you referred to enterprises that are permitted under the law at the present time currently as income producing sources for public television. What are they?

Mr. FLEMING. There are an enormous variety of things which stations do. For instance, the Chicago station, which does a very good job of supporting itself, was years ago given another station which was then licensed to it. I believe the Chicago station uses the other station for purposes of carrying commercial programing, and they derive certain amounts of revenue from it. They run it successfully. They can use this revenue in support of their public broadcasting station.

WNET in New York has for many years run a successful tape duplication operation.

There is an almost limitless number of possibilities. You may remember there was some controversy last summer over a magazine which several of the stations published because they took advertising.

Senator SPECTER. Would you care to offer any ideas or suggestions at the present time as to other sources which would not require a change in law that public broadcasting should be permitted to enter into.

Mr. FLEMING. We had assumed that question would come up at the authorization hearings, Senator, and we would then be prepared to offer our suggestions. We had not assumed it would come up at this hearing.

Senator SPECTER. Senator Schmitt, the chairman of this subcommittee, has some questions at this time.

STATION INCOME IN RURAL AREAS

Senator SCHMITT. Thank you, Senator.

We have with us today in the audience some young people from Rosewell, N. Mex. They have assured me, just a few minutes ago, that they watch channel 31, a public television station out there, and seem to like it as well or better than the commercial broadcast opportunities in the same area. This brings to mind the mission of the public broadcasting service, as authorized by the Congress, which is to "make these services available to as many citizens of the United States as possible."

In the West, that job really is far from done, in spite of the high quality of the three stations in New Mexico. They really are struggling to provide the kind of service, that is comparable to other parts of the country. New Mexico is a land of distances, scattered populations, a wide variety of kinds—I remember, just recently, we got a translator that finally brought public television into an isolated part of New Mexico, where it had never been before; in fact, no television was accessible there. That's just in the last year you've made that possible.

Four percent of the people in the continental United States are in about 30 percent of the territory of the United States. New Mexico is the fifth largest State, but in 1977, was the 37th in population. Our area exceeds that of New England and New York, and our density is only about 10 or 11 people per square mile.

Now do you feel, Mr. Fleming, that stations such as we have in New Mexico, in sparsely populated areas are at a disadvantage in competing for funds with the high-density, urban-based stations?

Mr. FLEMING. There's no doubt that they don't have the same base to appeal to for contributions. As you point out—the population density is low—the concentrated wealth, the access to the business world in large numbers is not there as it is in many of the places.

Senator SCHMITT. Because of the matching basis of funding, a station like WNET in New York would receive, almost $5 million in Federal funds, whereas KNME in New Mexico would receive $50,000—excuse me, $350,000.

Mr. FLEMING. Yes; one has to remember, on the other hand, that all of the stations rely a good deal for national programing on those producing stations such as New York, Los Angeles, Boston, and so forth. They do develop some of the best programing, which does contribute greatly to the quality of the entire system, and therefore there are points to be made on both sides of that argument.

What you say is entirely true. On the other hand, if we were to reduce the money which goes to the large stations, we would reduce to some extent that programing which serves all the stations.

Senator SCHMITT. Are you satisfied with the present balance that has been created now after several years of national funding?

Mr. FLEMING. The balance in our distribution of those funds has come about by conference with the stations over the years. While no method that I think the mind of man can devise will be entirely satisfactory to everybody, this way has had relative approval by the overall system. They have arguments about how best to do it, but I suspect there's no way to do it which will please everybody.

NEEDY STATIONS

Senator SCHMITT. I'm not arguing that there is, but I'm asking for your opinion on whether or not you feel that the current situation is adequate in serving, relatively speaking, the more needy stations because of such a high accessibility to the match on the part of those stations that have a better contributing audience.

Mr. FLEMING. There is one new factor in the equation which may change the current equilibrium. That is if the total budget is substantially reduced, as the administration proposes, then inevitably, so are the community service grants which go to each station.

It may be that the way in which those funds are distributed should be changed somewhat in order to try to preserve a base for the smaller and less wealthy stations because they don't have the same potential to raise money. It may be that to do so, the distribution must be changed at the top.

Senator SCHMITT. Let's take the same situation without any funding changes, the normal situation over the last few years. Do you think that the more needy stations are discriminated against by the match?

Mr. FLEMING. No; I have not thought they were discriminated against because it's sort of six of one and half a dozen of the other. If you take the money away from the big stations, you reduce the programing for everybody. On the other hand, if you don't give it to the smaller stations, it is true that they may be in very dire need.

That's why I think you really can't avoid the question of examining whether that equation changes if you reduce the total amount of funding. I might feel differently about it if the total amount of money were reduced, because then I might say, well, if there is less money, then a way should be found to reserve a somewhat higher proportion of it for those less affluent stations.

NONFEDERAL FINANCIAL SUPPORT

Senator SCHMITT. Would you agree, that under the current authorization, licensees can lease equipment and provide film editing services, or distribute video tapes or programs at a profit—commercial enterprise or whatever?

Mr. FLEMING. That they can do that for a profit?

Senator SCHMITT. Yes.

Mr. FLEMING. It's my impression that under the present NFFS regulations, they do do that now. I don't think there's a legal argument about that, as I understand it at this moment.

Senator SCHMITT. Would you say they could do that?

Mr. FLEMING. I believe they can do that under the present law. If you'll excuse me for interrupting you—the questions that will arise if one wants public broadcasting to pay more of its own way—the questions which I believe will have to be resolved and have to be faced in one way or another are—would we be willing—"we" being all of us—to let public broadcasting stations do in this country what they do in some other countries such as Canada, carrying, let's say, clustered advertising of some kind in which no interruptions of programs are allowed.

Mr. Van Deerlin made such a proposal a year ago. If one really wants public broadcasting to support itself, that frontier may have to be pushed a little further than the law now permits.

Senator SPECTER. Mr. Fleming, what is the effect of cluster advertising?

Mr. FLEMING. It means simply, in effect, that you wouldn't permit any interruption of programing the way commercial stations do, but you might have four fixed periods a day in which any and all advertising would be aired. It would only be in those periods, and it would be between programing.

Senator SCHMITT. Are the fees for profit or nonprofit services collected by public broadcasting stations included in the non-Federal dollars total raised by that station for the purposes of the match?

Mr. FLEMING. Many of them are. There are arguments occasionally. There are some criteria, as you remember, in the law; therefore, when we get the records from the stations as to what money they've raised, they have to categorize it. We have occasional arguments as to whether money they have raised falls appropriately within one of those categories, and those arguments get settled one way or the other as our auditors go over those.

Senator SCHMITT. Is the distinction between profit and nonprofit one of those categories?

Mr. FLEMING. Whether the station is profit or nonprofit? The stations are all nonprofit.

Senator SCHMITT. Is one of the categories, whether they have charged in excess of the cost for services.

Mr. FLEMING. No.

Senator SCHMITT. Maybe you didn't understand my first question.

Mr. FLEMING. They're all nonprofit stations.

Senator SCHMITT. Do they ever charge in excess of cost?

Mr. FLEMING. For some things they do? Yes.

Senator SCHMITT. Which would be for that service a profit, right?

Mr. FLEMING. For that particular service, it might be a profit.

Senator SCHMITT. They could lease equipment, provide film editing services, distribute videotaped programs at a fee greater than what it cost them to prepare it?

Mr. FLEMING. I would rather respond to that question in the record than try to talk about those individual items here, because I don't deal with those personally. Those are dealt with——

NONFEDERAL FINANCIAL SUPPORT CRITERIA

Senator SCHMITT. I'm not so concerned with the individual item. I am concerned about whether the principle of my statement is accurate, that is, whether a station is allowed under your interpretation of the current law, to charge more than cost for a service performed and therefore gain some revenue for their total operation, even though in aggregate they're nonprofit.

Mr. FLEMING. My understanding is that that is done in various areas.

Mr. WACKER. That's right. I think it might depend on the individual circumstances in specific cases.

Senator SCHMITT. Are those excess fees, if you will, included in the Federal match for that station?

Mr. FLEMING. I'm not positive of that. I'd have to check that out.

Mr. WACKER. Yes; some are and some aren't, Senator. The response to your question in general was that we accumulate them. They do not count 100 percent in all cases. We have a specific set of criteria.

Senator SCHMITT. If you could provide for our record some discussion of this use of fees for service which are in excess of the cost of the service and how you treat those within your total mechanism and what the potential may be there—for example, many stations have unused time and facilities relative to what the community might be able to utilize, and there's sort of a tradeoff there in terms of raising funds. Do they use that time to advertise and solicit funds, or do they sell the time for a fee?

Mr. FLEMING. Yes; there are many of those things being done right now.

[The information follows:]

NON-FEDERAL FINANCIAL SUPPORT

The matching principle established by Congress in the 1978 act was written to include, for matching purposes, both the total value of cash and the fair market value of services and property received by public broadcasting stations. The guidelines developed by CPB for reporting such non-Federal financial support (NFFS) have been carefully reviewed with the following criteria in mind: No Federal moneys or interindustry moneys are matchable; no payments from for-profit entities for services or materials are matchable; no income from for-profit subsidiaries of a station is matchable; no revenue—either from sales or advertising—from program guides sold to the general public is matchable; and no revenue from subsidiaries engaged in nontelecommunications work is matchable.

These exclusions are, for the most part, centered on commercially generated funds. If support comes from a State, any agency of a State, any educational institution, or any nonprofit entity, it is includable. Also includable are donations or contributions from all but the Federal Government or other public broadcasting entities for general operational purposes.

COMPETITION FROM NEW TECHNOLOGIES

Senator SCHMITT. One final question, Mr. Chairman. How do you view, Mr. Fleming, the competition, if any, that public television is facing with respect to cable television, cassettes, video discs, potential direct broadcast satellite transmission, and so forth?

Mr. FLEMING. Under the provisions of the act, we're directed to encourage the kinds of telecommunications other than simply direct broadcast. We have, therefore, under our engineering research section undertaken for a number of years collaborative arrangements with a number of stations in order to experiment with these devices.

Senator SCHMITT. You misunderstood me. What I'm saying is, there is a looming competition to public television services because of the new technologies like cable, cassettes, video discs, and so forth, providing to a very targeted audience a commercial service, such as, Lincoln Center or some other thing that that audience wants to see and is willing to pay to get.

Mr. FLEMING. Yes; I did understand you, Senator, but what I was going to say is that one of the reasons we have encouraged the stations to undertake collaboration with cable organizations and so forth is that we do see that competition coming down the line, and we do believe that there are many ways in which broadcasting stations can work with these other kinds of organizations. They will be a fact of life. It is clear on the television side right now, for instance, that one of the reasons why PBS is considering cable distribution of cultural programing which they might provide for a fee is because of the very thing you cite.

It is possible now for the cables to be profitable with a much smaller audience than has normally been the case in commercial enterprises. Therefore, I, myself, do not think that there is as serious a threat as some people do. The reason being that cable does not have anywhere near the outreach, either now or in the next decades, that it was expected to have, and that public broadcasting already has. It does not seem to me that it is going to run public broadcasting off the map in the foreseeable future, by which I mean the next 10 or 15 years.

Senator SCHMITT. Thank you, Mr. Chairman.

Senator SPECTER. Thank you, Senator Schmitt.

STATEMENT OF LILLIE E. HERNDON

Chairman Herndon, do you have a statement that you would care to submit at this time?

Ms. HERNDON. Yes; Senator, thank you. We appreciate being afforded the opportunity to appear before you this afternoon. I would like to present a very brief statement.

CPB was established as a private corporation in 1967 in order to provide, among other things, a layer of insulation against potential extraneous interference and control which may accompany the budgetary and appropriations processes.

In 1975 Congress provided CPB with a multiyear authorization and advanced appropriations by providing the appropriate accountability. Congress further intended to protect public broadcast programing against improper pressure and to allow the necessary leadtime for program development and preparation. Those principles are as sound now as they were when those laws were adopted.

Pursuant to these principles, CPB's 1982 appropriation, enacted into law in 1979, should not now be retroactively reduced by the special procedure, rescission. We recognize, of course, that the funding levels of many worthwhile programs are being reexamined. We cannot expect to be immune from careful consideration of our 1984 budget, as the House and Senate Appropriations Committees will soon undertake. At that time, we will address the President's budget proposal which would reduce the Federal funds for the CPB by 38 percent in a period of 4 years.

In addition, many of the other funding sources which provide 79 percent of the support of public broadcasting stations are also going through painful reductions. Meanwhile we assert the necessity for continuing the two largest budgetary commitments which we now have.

One is for unrestricted grants to radio and television stations. The other is for CPB's funding of high-quality programing to be made available to public telecommunication entities. The Public Telecommunications Financing Act of 1978 anticipates that direct station grants will be of sufficient size to help stations serve their communities, and the production funds would constitute a significant portion of funds available to CPB. Therefore, program funds must be sufficient to constitute a critical mass.

We expect to advocate these views vigorously in the coming weeks and months. We shall reaffirm that public broadcasting has a critical need for substantial Federal funding. We reiterate that public broadcasting has an important role and intends to bring to the public the best of noncommercial educational program services.

AREAS UNSERVED BY PUBLIC BROADCASTING

Senator SPECTER. Thank you very much. Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman, I have a question of Mr. Fleming. In your statement on pages 4 and 5 you state that the administration's proposed budget proposals would have a most profound affect on both public broadcasting and CPB's activities and I quote: "We would be forced to reduce our financial support for the production of high-quality programing for national distribution." You go on to say: "We would be forced to discontinue our efforts to extend radio service to unserved or underserved population centers."

I am particularly concerned about your statement that CPB would be forced to discontinue its efforts to expand radio service to unserved or underserved population centers. In North Dakota 75 percent of the State is still not served by public radio. Can you explain why CPB would choose to discontinue this activity as opposed to other efforts of the corporation and, second, what savings would result from discontinuing this activity?

Mr. FLEMING. Senator, in terms of the action of discontinuing the expansion, there are two aspects to that. Under the Commerce Department the NTIA program has provided money for equipment and a significant part of that has been used in starting new stations. We do not run that program. In fact, what is being proposed at this point is to wipe NTIA out. Therefore, regardless of what we do, the expansion is affected if that program disappears. They have considerably more money to put into these things than we ever had. We have a rather modest amount of $2 or $3 million that we would put into that.

Our problem, if the budget is cut, is partly that there is no supplementary or complementary fund available through that other source and partly that we would be faced with the very difficult question: When you're very hard pressed for funds is it better to try to be sure that all the stations you now have can stay in existence or is it better to dilute the total package somewhat further.

If you dilute the package somewhat further by adding more stations, the amount that goes to any one station is obviously reduced. If the budget goes down we fear that we would not be able to underwrite the expansion stations at all.

Senator BURDICK. I don't know if you recall it or not, but I was instrumental in getting some more funds for the public telecommunications facilities program.

Mr. FLEMING. Yes, you were.

Senator BURDICK. I like your attitude. Do you continue to support this program?

Mr. FLEMING. You mean that more money ought to be put in the NTIA program? Yes, we have supported that and we will continue to support that.

CPB ADMINISTRATIVE EXPENSES

Senator BURDICK. I have another question you may not be able to answer. If not, you can supply the answer for the record.

What administrative expenses can CPB reduce or eliminate without adversely affecting service to the stations. No. 1, can you provide the subcommittee with the following information: What part of CPB's travel expenses are attributable to international travel—with all of the sophisticated telecommunication technology for satellite intercommunications, et cetera, why is such travel necessary; and next, the number of consultants you have contracted with during the last year and the average length of their consultancy.

Mr. FLEMING. Yes; we have all of that information. We'd be very glad to supply it. As a general proposition, I would only say that we've reached exactly the same conclusion in this question. Why are we doing as much traveling as we are when the interconnection facilities are now the way they are? We have already said to our people we ought to eliminate as much of that as we can and try to do it now by teleconference. We'll be glad to supply all of that information. We have it and we'd be glad to make it available.

[The information follows:]

INTERNATIONAL TRAVEL

International travel at CPB has three main purposes:

1. The exploitation of U.S. public broadcasting material in foreign markets. To do this, we expose the best of our material at various screenings and competitions around the world where foreign broadcasters will be sure to see it and will hopefully acquire it for broadcast.

2. To keep the Corporation abreast of activities and trends in international broadcasting which affects U.S. public television. For this purpose, members of the staff attend

meetings and conferences in such areas as program development, engineering, broadcast regulation, and education.

3. Coproductions—members of the staff meet with foreign broadcasters to work out arrangement for coproductions in areas of mutual interest. These areas are usually on a quid pro quo basis.

The cost of international travel is less than .0025 percent of the total CPB administrative budget.

STATEMENT OF SHARON PERCY ROCKEFELLER

Senator BURDICK. Thank you, Mr. Fleming. Thank you, Mr. Chairman.

Senator SPECTER. Thank you, Senator Burdick.

Senator SCHMITT. Mr. Chairman, if I could just interrupt for a moment. I'm going to have to run. I want to thank our witnesses for their testimony and for the answers to questions that they will also submit for the record on these issues. In order to better examine the effect of cuts, those questions will deal with how you anticipate you would deal with the cuts, if in fact, they are approved by the Congress and, if in fact, they are legal.

Mr. FLEMING. Yes; we'd be very glad to do that.

Senator SCHMITT. I appreciate this brief and will study it very carefully. Thank you, Mr. Chairman.

Senator SPECTER. Thank you, Senator Schmitt. We have Sharon Percy Rockefeller with us today, a very effective advocate for public broadcasting. Would you care to add your voice to the testimony?

Ms. ROCKEFELLER. I would just add a few sentences if I could. If I could combine your line of questioning. We think that, Senator Specter, you are asking why, with the cuts in black lung, the Appalachian Regional Commission, the EDA, why public broadcasting wouldn't really be considered a frill of the Federal Government.

Senator SPECTER. I was asking, but not that eloquently. [Laughter.]

Ms. ROCKEFELLER. And Senator Schmitt was asking, I think, if the Federal funding is leveled off or ultimately decreased, how do we intend to make up the difference. In fact, it will be very, very difficult for us to do that. It will be even more difficult for North Dakota, for New Mexico, and for West Virginia, because we probably don't have people who want to buy tapes where we try to sell them. We just don't have the same kind of communities, yet we want and need the service even more than the larger urban areas. I don't want it to become an urban versus rural problem, but the rural areas I would maintain need public broadcasting far more than the urban areas. Yet, they shouldn't be hurt as much.

This brings up the question of needy stations. Should we then change our formula for distribution of CSG's and redistribute toward the needy? We just went through 6 days of hearings around the country. And, Senator Schmitt, I have the hearings from the New Mexico managers and, in fact, there does not seem to be the desire to change that formula. Of course, it's based on the match, which is the current law, but I don't consider us a frill. I really thought long and hard about this because I see the Government programs which are important, I understand State and local government and I don't think that we're going to be able to pick up the difference in the private sector, at the State level, at the local level. Really, so as not to make this an oversight hearing, but to continue it being appropriations hearing, we would hope that you would consider, as you think about the Clean Air Act, the broadcasting in America does more to pollute our air and we, I think, are the clean air, are the air that should be breathed and the air of the mind.

When children are now watching 6 and 7 hours of television a day and having to stay home more. The more the economy gets worse, the more people will be staying home. I think they should have an alternative on the radios and on the televisions and we are that alternative. Thank you.

Senator SPECTER. Thank you very much. Mr. Wacker, would you care to add your comments to the testimony?

Mr. WACKER. Just one brief one that I probably shouldn't add, Senator. Until last year I was the comptroller of the Department of Defense, and it dawned on me just recently that reactivation of just one of those battleships might go a long way in public broadcasting. [Laughter.]

Senator SCHMITT. We're going to have to invite some rebuttal witnesses in here. [Laughter.]

Mr. WACKER. This is off the record, right?

MICHAEL R. KELLEY WASHINGTON STAR ARTICLE

Senator SPECTER. The comments on pollution I'm sure will be played extensively on by the NBC camera. [Laughter.]

Let me pose one final question to you, if I may, Mr. Fleming. There was an article which gained some extensive publicity from the Washington Post in February by Michael R. Kelley, a board member of the CPB, where he made the comment that a 20- or even 25-percent cut would be healthy for public broadcasting which he says has grown somewhat flabby and this kind of a cut would encourage public broadcasting to be wily, innovative, resourceful. What response, if any, do you have to that?

Mr. FLEMING. I would say, first of all, that only because of the opening of this hearing I took things a little out of order, and didn't start as I'd expected to, did Michael R. Kelly, who is sitting here in the audience, fail to get introduced. He is here. He is one of our board members. Would you like to hear Michael R. Kelley answer that question?

Senator SPECTER. I would like to hear him in rebuttal to your answer, if that should be warranted.

Senator SCHMITT. Mr. Chairman, I think we have Michael's testimony. We'll just put that into the record.

Senator SPECTER. I was reading from the clip.

I doubt but wonder and think it appropriate for the record to ask if his view is a minority view on the board or what the board does think about what Dr. Kelley has had to say in print.

LOCAL PROGRAMING

Ms. HERNDON. Senator, Robin Fleming will, of course, be glad to respond to it, but I will as chair of the board. That board is comprised of 15 members, as you know, and that article, I think it stated someplace in the article that this is Michael Kelley's personal view. It does not constitute the majority opinion of the board in any way, in the chair's opinion, and we have discussed it, discussed it in detail.

This is an opinion which one board member holds as far as I'm able to determine. Could I add one thing to the question that Senator Schmitt asked? Senator, you mentioned the differences over what would be happening in public broadcasting in regard to the other modes of delivery of services that would be used that are coming on the scene now. I think that one thing that would clearly distinguish public broadcasting or the stations that you have in New Mexico—and I may say that I know your State well, I have traveled over it, I have been in a meeting in the school in Roswell, some of these students might be from that school—but one thing that will distinguish public broadcasting from many of those other things that you mentioned is excellent local programing which they will do in a community that relates to the concerns and interests of that local community in addition to other programs that they will use for national interest.

INTERACTIVE TELEVISION

Senator SCHMITT. Mr. Chairman, if you would yield. My response is, clearly that's one of the major services that public broadcasting can provide, is local programing. There are some questions on whether or not the present distribution of moneys does encourage that. Particularly in the smaller stations to the degree that it should, although I don't know of anyone in New Mexico or anyone else that would argue against some significant amount of national programing in order to help them with their total programing schedule.

I do, however, as I said in Chicago a year and a half or so ago, I'm tremendously concerned that public broadcasting, as well as commercial broadcasting, have not yet opened their eyes to the new and innovative means of reaching the young people of this country with what I call interactive broadcasting. Interactive broadcasting is as exciting or as stimulating to a young mind as in pretelevision days, radio was and books are, to those that we can encourage to read them. Frankly, I don't think television does that. Television is a passive teacher for the most part. There are some tremendously interesting experiments underway in interactive broadcasting, but still, for the most part, it's passive. I'm tremendously concerned about those generations of young people, who during their early formative years were in an environment, 6 or 8 hours a day, which did not stimulate the imaginative character of their minds as books do and, to a great degree, radio did and still does to those who use it. I think public broadcasting can be the frontier mover in these areas. I feel that you have not yet gotten there, and I encourage you to continue that effort.

Ms. HERNDON. Fine. Thank you.

NEW SOURCES OF INCOME

Senator SPECTER. Before concluding, we will ask Dr. Kelley, having had Mr. Fleming's invitation and having had the invitation of the subcommittee, should he choose to add a note to the testimony.

Dr. KELLEY. Thank you, Senator. Michael Kelley, member of the board of directors of the Corporation for Public Broadcasting. If you noticed in that article, Senator—first of all it was in the Star and not the Post—but I also mentioned in there that I think with the cuts should also come the opportunity for those stations to have new entrepreneurial opportunities, the kind of things that President Fleming referred to earlier, to have other sources of raising money that would take up the slack for the loss of federal funds. I do think that there is a certain kind of an advantage that can come when a group of people who have been doing business in a certain kind of way and perhaps have gotten a little bit used to that kind of way of doing business, are forced to take another look at the way they operate. In that sense I think the scrapping for money, the attempt to make up the difference may well be a very refreshing thing for the industry, particularly if the Congress allows them the opportunity to look to other forces and sources of funds.

[The information follows:]

LETTER FROM DR. MICHAEL R. KELLEY

MARCH 12, 1981.

The Hon. ARLEN SPECTER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SPECTER: Thank you for the opportunity to address the committee yesterday, during testimony by the Corporation for Public Broadcasting. I purposely kept my response short because time was running late, and I had not been originally scheduled to speak. I would, if possible, like to extend my remarks for the record to include the following:

There is very little difference between the CPB Board's position which our chair, Lillie Herndon, read to you today and my own, published in the Star. Though all of my fellow Board members may not agree with me that there is flab in pubic broadcasting and that budget cuts can cause a surge of creativity, we are unanimous in urging that there be sufficient leadtime before the cuts come to perserve public broadcasting's 2-year advance funding principle and built in opportunities for planning, and that the cuts not come wholly out of CPB's national programing efforts as OMB had initially recommended. These views in the Board's resolution are also in my article.

CPB's national programing budget not only supports national public radio's fine efforts, but provides local stations—both radio and television, large and small—with those big ticket high-quality programs that the stations can and do use to increase their own audiences and ultimately their local support. This kind of high quality programing is an essential part of public broadcasting's total mission.

Finally, I would like to respond to two of Senator Schmitt's earlier questions. I do think that as the appropriation for public broadcasting is cut back, we should consider reshaping the criteria for distributing those funds that pass directly through to the stations. We need to make sure that small stations serving widely scattered rural populations without a strong base of viewer support are not disproportionately hurt by the overall budget cuts. The present community service grant matching formula rewards fundraising and has had general support among the stations at the recent levels of Federal support. As that support is cut back we may want to include other rewards in the formula that will preserve support for the small stations which have few opportunities for raising moneys in their service area.

I strongly believe that public broadcasting, particularly public television, can survive the competition from cable, videodisc, videocassette, and other new video technologies. Broadcasting has three major advantages that these other delivery systems lack: It is free, it is local, and it is portable. No other technology combines all three. As its cultural programing is taken over by cable and videocassette, however, public television will have to do some creative thinking to find a new alternative program fare that will catch the imagination and whet the appetite of the diverse, eclectic tastes of all the American people. The answer may well be continued cultural programing, but I think it may turn out to be something truly different and exceptional. Public television faces the need to redefine for itself and for America what it is and what its programing alternatives should be. That is both the challenge and the exciting opportunity of the 1980's.

Again, thank you Senator for the opportunity to address the committee and to include my thoughts in the record. I have long been and continue to be a strong supporter of public broadcasting, but being supportive doesn't also mean turning a blind eye to things that could be improved. It is this dual role that I take very seriously as a Director of the Corporation for Public Broadcasting.

Yours sincerely,

MICHAEL R. KELLEY, Ph. D.,
Member of the Board.

SUBMITTED QUESTIONS

Senator SPECTER. All right. Thank you all very much. We very much appreciate your testimony. It will be submitted in accordance with committee rules with the transcript and have time to make any amendments that you choose and there will be a list of questions submitted to you for the record. I would request that you submit those answers within the same timeframe as established for submitting any corrections to the testimony that you may choose to add.

Thank you all very much.

Mr. FLEMING. Thank you very much, Senator.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by the Subcommittee

COMPETITION WITH CABLE TV, ETC.

Senator Schmitt: How is public broadcasting competing with the onslaught of cable TV, cassettes, video discs and direct satellite transmission, that are also "alternatives" to commercial fare?

Answer: At the present time, public broadcasting isn't really competing with these alternatives distribution systems, since most of them are just beginning to offer alternatives to public broadcasting. Over the next five years, however, how public broadcasting responds to these new technologies may well determine the future of public broadcasting. On the one hand, these systems offer important opportunities for public broadcasting — to reach currently unserved audiences, to provide new services, and to generate additional revenue. On the other hand, if these new technologies are used commercially to distribute the type of programming now provided by public television, this will raise a fundamental question about what role public television should play in this new environment.

As we state in the Five Year Plan, "we believe public television should continue to play an important role...Over-the-air broadcasting will continue to be the method by which most households receive television programming. Today, 90 per cent of the population can receive a public television signal; over the next five years approximately 25 new high power PTV stations will go on the air, raising this figure to 95 per cent. In contrast, none of the non-broadcast media, including cable, is likely to reach penetration levels above 50 per cent by 1985. Perhaps most important, public television stations will continue to play the major role in providing instructional and educational programming to the American people. We believe that public television will remain an important public service, and that the availability of that service should not be restricted to those who choose (and can afford) to pay for it."

NATIONAL TV PROGRAMMING

The CPB Board made a major funding commitment to national TV programming to increase efficiency of program funding operations and to provide for greater insulation in program selection.

Senator Schmitt: What is the status of and how successful is your new program fund?

Answer: The Program Fund has been in operation for 15 months. During this time, the staff was brought to its full complement, priorities were set, and implementationn got underway.

To date, the Program Fund has had three major solicitations — the Independent Anthology was directed solely to independent producers; Crisis to Crisis, and issue-oriented effort addressed to both independent producers and stations, has seen completion of its first two rounds; and Drama Production, which was also directed to both stations and independent producers and is now in the selection process. Response to these Invitations for Proposals has been overwhelming and enthusiastic, especially by the independent community.

Panels of experts representing a broad cross-section of the population has been brought together for consultation and review of proposal submissions. Similar panels are also called upon periodically to examine current programming and to identify future needs, and are called with general direction is sought in particular programming areas.

The use of these panels have proven to be an invaluable tool in the selection of diverse, quality programs as well as defining the needs of the public broadcasting system, the independent community, and under-represented minorities and women.

The influx of unsolicited proposals were greater than we had anticipated. Calendar year 1980 saw 631 unsolicited proposals, each of which were reviewed individually and responded to by Program Fund staff. This trend seems to be continuing in 1981.

A substantial amount of FY1981 funds were committed to major on-going projects such as Bill Moyer' Journal, The MacNeil/Lehrer Report, and Dance in America. Although these responsibilities were inherited by the Fund, they are value programs and cannot be ignored. Consequently, funding for new innovative projects is limited.

The Program Fund's FY1981 budget reflects commitments of approximately 28 per cent to minorities and women, and 45 per cent to independent producers.

Feedback from the various communities has been extremely positive during the past 15 months; thus we feel the Program Fund has been a valuable asset to the Corporation and to the industry, and we are both enthusiastic and optimistic about its future.

Senator Schmitt: How was the 25% allocation of Federal appropriations for the programming fund determined?

Answer: CPB allocates approximately 25 per cent of its appropriations to the production of television and radio programming. This allocation is based upon the language of the statute which states...."a significant portion of funds available under the budget established by the Corporation....shall be used for funding the production of television and radio programs." Further, language report defines "significant portion" as not less than 25 per cent.

Senator Schmitt: In light of possible reductions in funding, do you still intend to allocate 25% of your appropriation to national programming.

Answer: The Board of Directors of the Corporation has stated that they consider funding of national programming to be critical to the mission ascribed to CPB and that maintenance of sufficient program production funds is essential. CPB will, therefore, seek to maintain a critical mass for program production.

Senator Schmitt: What concerns have local stations expressed to you concerning the 25% allocation for national programming?

Answer: One viewpoint expressed by some station managers is a preference for most funds allocated to CPB to be passed-through to the stations. The stations would then through their own cooperative arrangements fund national programming. CPB has responded to this viewpoint by providing a set aside of funds within the national programming allocation for certain agreed upon station priorities. CPB maintains, however, that funding for national programming is most effectively and efficiently provided through current allocation mechanisms, i.e., the CPB Program Fund arrangement.

MINORITY AND WOMEN'S ACTIVITIES

Senator Schmitt: How do you allocate financial resources within the Corporation for minority and women's activities?

Answer: The Corporation has a division for Human Resources Development headed by a Special Assistant who reports directly to the President. The Special Assistant provides her input as to the financial requirements of her areas of responsibility during the budget formulation process.

COMMERCIAL VENTURES

Senator Schmitt: Under the current authorization, can licensees lease equipment, provide film editing services, or distribute video tapes of programs at a profit? For non-profit?

Answer: Yes, they may get involved in these activities that bring them a profit. They may contract with both non-profit and for-profit organizations.

Senator Schmitt: Are the non-profit fees collected for these services included in the "Non-Federal" dollars total raised by the station?

Answer: Only the income generated from non-profit organizations is counted towards the match.

Senator Schmitt: Is it your opinion that such a practice penalizes stations who choose to fully utilize their facilities and serve their communities? Would they better serve their community by spending more air time requesting community donations instead?

Answer: No, I don't think it penalizes stations who get involved in expanded services. We believe that full utilization of activities is beneficial to everyone. It would be difficult for public broadcasting to devote additional hours to pitching the audience might be turned away by that.

FEDERAL MATCH

Federal funding has ceased to be the major source of funding for public broadcasting which now leans on corporations, foundations, states, local government, universities and individuals.

Senator Schmitt: What is the rationale for the Federal match as it now exists, that is, in the ratio of 2:1?

Answer: The matching principle was developed to provide incentive to public radio and television stations in their effort to raise NFFS. Given the two year forward-funding mechanism, the matching principle served as a basis of stable and predictable funding as well as a benchmark for determining public acceptance of station services provided.

Senator Schmitt: Does the need for this match still exist?

Answer: The recent unwillingness of the federal government to provide appropriations of sufficient level to equal the amount warranted by the matching principle would raise questions as to the utility of the concept. While the rationale for the principle still exists, the 2:1 match may no longer be realistic in the present economic climate.

CPB ADMINISTRATIVE EXPENSES

Senator Schmitt: What reductions will there be in administrative expenses for CPB if reduced funding is approved?

Answer: CPB will cut administrative expenses by 25 per cent, sharply reducing both levels of personnel and logistical support. Such a cut will result in a reduced level of service and activities of direct benefit to the public telecommunications industry.

FUND RAISING ABILITY

Under present law, each year CPB certifies to the Secretary of the Treasury, an amount that equals the level of Non-Federal support given that year to public broadcasters. The Federal government matches this amount two years later at a 2:1 ratio. By statute, CPB then distributes a minimum of 50% of those Federal dollars, in the form of unrestricted grants, to stations, in proportion to the non-Federal dollars they raised.

Senator Schmitt: Does this system of distribution place an undue burden on the most needy stations?

Answer: The current CSG distribution formula was adopted after extensive and comprehensive review with public radio and television stations and their national organizations. The basic problem does not lie with the method of distribution, but, in our opinion, in areas that are outside the Corporation's control. For example, appropriations have been set so low in recent years as to render ineffective the fundamentals of the matching principle, which was intended to be the driving force of the distribution system. The result has been that virtually every station operated under enormous burdens and needs substantial financial support. While the most needy stations usually do not have strong financial support, neither are they required to produce large amounts of national programming, which is very expensive. In that way, they receive the benefits of the larger stations' larger budgets.

Senator Schmitt: It is your opinion that Federal funds, already spread thin, should provide assistance to those stations in need, rather than to those that have the ability to raise funds.

Answer: A need is a very difficult term to define. It is true that rural stations do have fewer avenues of funding open to them, it is also true that the "Basic Grant" portion of the CSG favors the smaller stations, so that the rate of return on monies raised is not an absolutely straight percentage. All qualified stations receive the same "Basic Grant" to which is added an incentive grant based on the funds raised.

Congressional intent was to deliver public broadcasting services "to as many citizens of the United States as possible". In the West that job is far from done. Ours is a land of distances and scattered populations - with some

4 percent of the people in the continental Unites States in 30 percent of the territory. My own New Mexico is the fifth largest State, but in 1977 was 37th in population. Our area exceeds that of New England and New York, but our density is only 10.7.

Senator Schmitt: Are stations in sparsley populated areas, such as those found in the West, at a disadvantage in competing for funds with high-density urban-based stations?

(I understand that under current projections, New York's WNET will receive $4.9 M from the Corporation in fiscal 1982, whereas New Mexico's KNME will get $350,000.)

Answer: While the current CSG formulae may not be adequate for the needy stations, we regularly review our policies in consultation with all stations. The current formulae are acceptable to the stations at the present level of funding. Were there are drastic changes in the funding level, we would have to re-examine the distribution of these funds.

NEW TECHNOLOGIES

Senator Proxmire: In your planning, have you considered the consequences for public broadcasting developing technologies such as cable, pay TV and video discs? If so, what conclusions did you come to?

Answer: Not only has the Corporation considered the consequences of developing technologies, it has taken the lead in stimulating them. The Public Telecommunications Financing Act of 1978 directs CPB's attention to the potential offered by emerging technologies for the delivery of program services to the public. CPB took the lead in the development of low power television service and other similar technologies which would enable program services to be extended to unserved audiences living in rual areas. Through CPB's efforts, the public broadcasting industry was the first in the nation to use satellite technology to deliver program services. We have assisted many stations over the years in the experimentation and deployment of developing technologies in the public interest, for example:

Station KSPS in Spokane, Washington with a grant from CPB is using the city's cable television system to serve junior and senior high school students and teachers by providing programming on seven cable channels. KSPS's role began during the franchising process when it headed a consortium of educational institutions with CPB's assistance.

The Nebraska ETV system operates a statewide public television network. Its flagship station, KUON-TV in Lincoln, is now involved in the local cable system operating a channel which it hopes to feed throughout the state to supplement its over-the-air services to provide live coverage of the state legislature, public hearings, news conferences, an alphanumeric data service and bulletin board around sthe state, accredited instruction courses, etc.

Under a grant from CPB, Massachusetts ETV is developing non-broadcast strategies for the distribution of its statewide educational programming.

The Agency for Instructional Television with CPB's support is examining the provision of ITV services to schools using small format video distribution.

Station WGTE in Toledo, Ohio using the local cable system, has become the corrdinator for public affairs and with its cameras in the city council chambers has brought "sunshine" to the city.

Station KCET in Los Angeles, California using a grant from CPB, has undertaken a survey of the information needs of the public, made arrangements with local cable systems for the use of channels for the delivery of this information, and is in the process of negotiating the city's support of this activity.

Station KPTS in Wichita, Kansas is now examining the utilization of alternate means of program delivery including cable television in Wichita and the surrounding areas, teleconferencing, two-way applications of television and ITFS.

Station WSJK in Knoxville, Tennessee is now seeking to expand its service to K-12 and to adult learning systems, by using Knoxville's cable television systems and the available ITFS channels.

Channel 2, Miami, Florida is seeking under a CPB grant to improve its services to the public and its institutions through becoming a telecommunication center and delivering additional services through ITFS, cable cassettes and videodiscs.

Station KPBS now serves some 2,000,000 persons. Its goal is to become a total public telecommunication center for the San Diego, California area. Using CPB funds it has established an office of specialized services, which through the local cable system, three ITFS channels, a radio SCA, on-campus closed circuit and an excellent over-the-air broadcast channel will seek out and coordinate the areas of public telecommunications.

A number of experiments are now in the funding process including the Tri-County Regional Library of Fulton County, Georgia, which is not a public television entity. Operating Channel 10 on three local cable systems, the Library is able to provide a full day's programming to the residents of three rural counties.

Denver, Colorado's KRMA proposes to establish a consortium of telecommunication entities and concentrate on training through new distribution techniques including MDS and ITFS to commercial business and libraries, and cable.

CPB provided multi-year funding for the Columbia, South Carolina SECA experiment with the Communications Technology Satellite whereby fifteen public television stations exchanged educational and instructional programming through a high-powered experimental satellite (preceding PBS national interconnection).

While the emerging technologies are exciting and offer potential opportunities of unknown proportions, the basic conclusion we have come to — is that broadcasting will be the dominant means for delivery of program services to the public for at least the next ten years.

The Corporation believes that the most prudent and responsible approach is to increase the capacity of our present industry to successfully adapt to and make the most effective use of, the new technologues. In fact we are presently engaged in studies focusing precisely on these strategic long-range issues through our ADVENT (Analysis of Diversification Ventures and Examination of the New Technologies) project.

CPB BUDGET ALLOCATIONS

Senator Proxmire: How do you allocate financial resources within the Corporation for Minority and Women's Activities?

Answer: The Corporation has a division for Human Resources Development headed by a Special Assistant who reports directly to the President. The Special Assistant provides her input as to the financial requirements of her areas of responsibility during the budget formulation process.

Senator Proxmire: When the Corporation makes its funding allocations between radio and television, what are some of the differences you find between the two media?

Answer: The most basic difference between the two media is the cost of starting and doing business. In most all respects — capital plant, programming, and operations — differences in the financial requirements between these two media are enormous. Other important differences exist that are too numerous to set out here, ranging from the ways in which the consumer uses television and radio in their daily lives to the ways in which each public media has evolved.

CPB BUDGET

Senator Spector: What are the changes between your original fiscal 1982 budget request, and your revised request under the Reagan Administration?

Answer: The Reagan Administration's proposed appropriation for FY1982 is $43 million less than the $172 million previously appropriated for CPB. At the lower appropriation level:

1. CPB could not encourage the provision of new telecommunication services through non-broadcast technology;

2. Direct station support in the form of unrestricted Community Service Grants would be reduced;

3. The program to expand coverage of public radio would be phased-out;

4. National television and radio program production support would be reduced;

5. Research and training efforts which support industry operations would be cut back; and

6. Personnel costs and related logistical support would be reduced.

COMMUNITY SERVICE GRANTS HEARINGS

I understand that CPB has conducted a series of public hearings on Community Service Grants.

Question: What was the purpose of these hearings?

Answer: In July 1980 the Board of Directors of the Corporation for Public Broadcasting (CPB) approved a plan and timetable for a comprehensive review of the criteria and conditions regarding the division and distribution of Community Service Grants (CSGs) for the nation's public radio and television stations. The basic purpose of the public hearings that were held around the country was to gather information and opinions from all interested citizens on what revisions, if any, should be made in the qualification criteria and distribution formula of the annual CSGs provided to public radio and television stations. During the course of these hearings, testimony was received from hundreds of concerned citizens ranging from the laymen to elected public officials. We feel that the hearings were most informative and the testimony we received will be valuable as we review our current CSG policies and practices.

Question: Were they mandated?

Answer: The Corporation is mandated under Section 396(B)(6)(A) to annually review CSG criteria and conditions "in consultation with public radio and television stations." While this review process is in actuality conducted on a more frequent basis, the CPB Board of Directors wished to ascertain the sense of the public at large as to the efficiency of this, the Corporation's central funding program.

Question: How many were held? Where, and when?

Answer: Six public hearings were held, at the following places and on the dates as noted:

1. Minneapolis/St. Paul: Wednesday, November 5, 1980, 7 p.m. to 9 p.m. and Thursday, November 6, 9 a.m. to noon and 2 p.m. to 5 p.m. at the St. Paul Civic Center.

2. New York City: Tuesday, November 11, 1980, 9 a.m. to noon; 2 p.m. to 5 p.m.; and 7 p.m. to 9 p.m. at the United Engineering Center.

3. Salt Lake City: Monday, December 1, 1980, 7 p.m. to 9 p.m.; and Tuesday, December 2, 9 a.m. to noon and 2 p.m. to 5 p.m. at the Salt Palace.

4. Nashville: Thursday, December 11, 1980, 9 a.m. to noon; 2 p.m. to 5 p.m. and 7 p.m. to 9 p.m. at the State Legislative Plaza.

5. Los Angeles: Monday, January 19, 1981, 9 a.m. to noon; 2 p.m. to 5 p.m. and 7 p.m. to 9 p.m. at the Moot Courtroom, UCLA Campus.

6. San Diego: Thursday, January 22, 1981, 7 p.m. to 9 p.m.; and
   Friday, January 23, 9 a.m. to noon and 2 p.m. to 5 p.m. at the
   Sheraton-Harbour Island Hotel.

Question: How much did the hearings cost CPB? Is this amount the total cost? If not, who incurred the additional cost?

Answer: The total cost to CPB for the public hearings comes to approximately $68,000. Obviously there were substantial costs incurred as well by individuals who attended the hearings at their own expense. While we have no way of knowing what this amounts to, CPB is most appreciative of the evident value and importance which these individuals ascribe to public broadcasting in that they were willing to spend their own money to testify at these hearings. It should also be noted that the Corporation made certain to inform those who could not attend the hearings — because of scheduling problems or the cost of attending — that we would accept their written statements for inclusion in the hearing record; a number of citizens did, in fact, take advantage of this opportunity to make their views known.

Question: Could this amount of money have been better spent on other mandated functions that are insufficiently funded?

Answer: Since 1969 CPB has distributed $396 million in CSGs to public radio and television stations. The amount spent on the hearings come to .01 per cent of that total. We view this as a reasonable cost for employing democratic forums for evaluating the value of this program. While we believe this money was well spent, CPB recognizes that many other mandated functions are insufficiently funded and hopes the Congress will appropriate sums sufficient to enable us to carry out all of our responsibilities in an effective manner.

COMMUNITY SERVICE GRANTS

Community Service Grants are unrestricted direct grants that go to stations for operational support.

Question: What percentage of the appropriations do Community Service Grants (CSG) constitute for fiscal years 1981, 1982, projected for 1983 and 1984? Please break these percentages down for radio and TV.

Answer: In FY1981, CSGs will constitute approximately 60.1 per cent of CPB's total appropriation; 50 per cent of this is allocated to television and 10.1 per cent to radio. While the CPB FY1982 budget has not yet been formally set, we estimate that CSGs will amount to about 61.3 per cent of the $172 million appropriated by the Congress for this fiscal year; again, 50 per cent of this will be allocated to television and 11.3 per cent for radio.

Although the CPB budget for FY1983 has not yet been formulated, CSGs are projected to be about 62 per cent; allocations for television and radio will not be made until later this calendar year. Projections for CSGs in FY1984 will not be made until the Corporation is authorized for that fiscal year and funds have been appropriated by the Congress.

Question: Is it true that part of the costs of satellite distribution have recently been shifted to public TV stations?

Answer: Starting in FY1980, both public radio and television stations began bearing part of the costs with the distribution of programs to them via satellite.

Question: What added costs must stations now meet using their community grants?

Answer: The Public Telecommunication Financing Act of 1978 mandated a considerable number of new responsibilities which stations must fulfill, for example, uniform accounting principles and annual independently conducted audits. While these requirements obviously add to a station's annual operating costs, we have no data on actual amounts.

Question: Do the Community Service Grant figures represent only discretionary funds to be used strictly for making possible program services that would not otherwise be available? Or do they also include add-on dollars that are committed to be returned to CPB to pay expenses previously assumed at the national level?

Answer: CSGs to both public radio and television stations may be used at the discretion of the station for purposes described in their annual CSG reports to CPB. No CSG dollars have ever been returned to CPB to pay for any of the services provided to local stations.

Question: Will future increases in passthrough funds be identified as discretionary, and separated from those that are "obligated?"

Answer: As stated above, public broadcasting stations use CSGs for activities of their own choosing. As such, each station's discretion is and will continue to be the determining factor for CSGs use.

The Public Telecommunications Financing Act of 1978 requires that the "Corporation in consultation with public television and radio licensees, review annually the percentage of funds reserved...and the criteria and conditions regarding the division and distribution of such funds..."

Question: What was the method used for consultation with public television and radio licensees?

Answer: The Corporation has and will continue to engage in extensive consultation with the licensees and their member organizations to review all aspects of CSGs. This consultation is accomplished through such forums as the regional and semi-annual station meetings as well as on-going communications with the stations and their national organizations that occur regularly throughout the year.

TRAVEL

Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by government employees. A partial report recently revealed that government travel spending runs about $3 billion a year.

Question: How many annual trips per capita are made per year by CPB employees and Board Members?

Answer: 6.3 trips per year are made by CPB employees and Board Members.

Question: How does CPB's average length of trip, in days, compare to the government-side average of 8.8?

Answer: CPB's average length of trip, in days, is 4.5 days.

Question: What is the average cost of trips made by CPB employees and Board Members? The government-wide average is $176.

Answer: The average cost of trips made by CPB employees and Board Members is $1,047.

Question: What percentage of your trips accounts for:

- operational or managerial activities?
- travel or training?
- informational meetings?
- conferences?
- speeches or presentation?
- special mission travel?
- relocation of employees?
- unknown reasons (blanket authority to employees)?

Answer: The percentage of CPB's trips accounts for:

15% - operational or managerial activities
10% - travel for training
60% - informational meetings
10% - conferences
0% - speeches or presentation
5% - special mission travel
0% - relocation of employees
0% - unknown reasons (blanket authority to employees)

Question: Does CPB have an Office of Travel Management?

Answer: CPB does not have an Office of Travel Management.

Question: Can you prepare for the record a tabulation of travel expenses for all recipients of CPB contracts?

Answer: CPB cannot prepare for the record a tabulation of travel expenses for all recipients of CPB contracts.

TELECOMMUNICATIONS IN LIEU OF TRAVEL

A great deal of information now obtained by travel could be obtained more cheaply through other means.

Question: What has CPB done to encourage the use of conference calls, the exchange of videos, the use of telecopiers, and exchange of information by mail, as alternatives to travel?

Answer: The Corporation has taken the lead in the public sector in developing the use of telecommunications technologies for a variety of purposes. For example, CPB holds monthly closed-circuit teleconferences with the public broadcasting/telecommunications industry and will this year conduct its traditional semi-annual regional station meetings using the teleconference format. Further, plans for FY1982 are to hold many other meetings and activities that can be accomplished more cost-effectively through the use of advanced telecommunications technologies, in addition to the routine and extensive use of the mail, telecopiers and the nation-wide telex system we have installed. There are a number of factors that require a very careful and considered approach to the use of telecommunications technologies in lieu of on-site visitations and direct human interaction. Various studies show mixed results in the use of advanced technologies to exchange different types of information. The major funding from these studies is that the vehicle one uses must be compatible with the nature of the information being conveyed or there is the risk of creating confusion and problems extraneous to the topic at hand. Other problems exist particularly with new formats such as teleconferencing where there are presently no cost or service/product standards. This year CPB will be working with various organizations in our industry to try to establish such standards. Suffice it to say that the Corporation has and will continue to seek alternative methods to communicate and exchange information with all parts of our industry recognizing the cost and time savings to be had over the long-haul travel.

Question: Are the same travel savings being encouraged for CPB grantees and contractors?

Answer: We have and will continue to encourage our grantees and contractors to make use of new technologies and mail wherever practical.

HUMAN RESOURCES DIVISION

Question: What is the function of your Human Resources Division?

Answer: The Office of Human Resources Development serves a vitally important function within the Corporation. It is charged with the responsibility for balancing Corporate operations with human needs and, as nearly as possible, assuring that the effect of Corporate actions have a positive impact on the lives of people. This important responsibility requires that HRD's work cross-cut every facet of Corporate operation. Thus, HRD has as its mission:

> The exercise of leadership in the equal opportunity area at CPB and throughout the public telecommunications industry with respect to all matters which may have an impact upon under-represented groups protected by federal civil rights law.

To carry out its mission, HRD, working with CPB divisions and departments, will take the lead in building equal opportunity objectives in every aspect of the Corporation's operation. Thus, HRD will undertake an overall program that includes the concerns of all people — male and female, minorities and non-minorities, with special emphasis on women and minorities. HRD will focus attention in four areas:

- Employment and affirmative action
- Human development
- Diversity
- Portrayal and participation in public telecommunications programming

Question: What are the costs to CPB? To the Department of Health and Human Services?

Answer: The annual budget of the Human Resources Division is $1.3 million. CPB has not imposed a cost for administering its HRD program on the Department of HHS.

Under the Equal Employment Opportunity provision of the Public Telecommunications Finance Act of 1978, CPB is charged with satisfying itself that CPB "recipients are affording equal opportunity in employment in accordance with the requirements established by HHS. If CPB is not satisfied that one of its recipients or grantees has met the EEO requirements of the Act, it will notify HHS. HHS will then review the case and make a determination. The actual costs to be born by HHS would be the administrative cost of reviewing the information that it gathers independently or data provided and submitted to them by the Corporation.

Question: How many people does it employ?

Answer: Presently, the Department of Human Resources Development has a staff of eight full-time employees. The staff consists of the Assistant to the President for Human Resources, a Director of Women's Activities, a Director of Minority Affairs, two research associates, and three secretaries.

Question: Could the functions of this division be carried out equally well through the local initiatives or licensees?

Answer: No. The office serves multiple functions, some of which relate directly to stations, others do not. As stated previously HRD is charged with broad responsibilities that include EEO oversight within the Corporation and in the industry as well as the provision of technical assistance to stations. The stations are only one facet in the total HRD constituancy. HRD responsibilities extend to a full range of activities in four areas — human development, diversity, employment and affirmative action, and finally, portrayal and participation in public telecommunications programming.

Could the functions of this division be carried out equally well through local licensee? A recent review of employment trends at the public broadcasting licensees indicates that the overall employment utilization of women and minorities over the past five years has resulted in a minimal increase in their utilization and/or representation. Based on this current employment data, the local EEO initiatives of the licensees do not appear to be substantially upgrading or increasing the representation of women and minorities.

Stations have requested technical assistance from the Corporation to assist in the establishment of employment outreach programs, utilization analysis, and the development of affirmative action plans. The assistance provided by HRD serves a two-fold need. First, it reduces inconsistent approaches to the accomplishment of EEO objectives. Many stations lack staff and expertise to develop such a program. Secondly, the Corporation is required to make an annual report to the Secretary of HHS and the Congress on the employment practices of all CPB recipients. This requires uniform data and reporting procedures. This cannot logically occur at the local initiative of each licensee.

CONTRACTS

Question: How much of your contract costs were spent in the last month of Fiscal 1980? Why?

Answer: Sixty-three contracts were awarded during the last quarter of FY1980. They were all routine requests and were not end of fiscal year spending requirements.

Question: How much of that was awarded for non-competitive contracts?

Answer: None of the above were awarded as the result of solicitations with the exception of one for microfilming.

Question: How do you define competitive and non-competitive awards?

Answer: Competitive and non-competitive awards are defined in accordance with the Consolidated Procurement Regulations under the Code of Federal Regulations Title 41 Public Contracts and Property Management, Chapters 1 and 2.

Title 41 - Public Contracts and Property Management consists of Subtitle A - Federal Procurement Regulations System, Subtitle B - Other Provisions Relating to Public Contracts and Subtitle C - Federal Property Management Regulations System. The Federal Procurement Regulations in Chapter 1 Subtitle A are those government-wide procurement regulations issued by the General Services Administration and are used exclusively as the guide in all contracts relevant to the Corporation for Public Broadcasting.

* A non-competitive award is one whereby the Contractor submits to the Corporation a proposal unsolicited, for consideration of an award to that particular Contractor by a specific Department within the Corporation for television or motion picture production, personal services or professional services. Because there has been no formal advertising involved, by reason that formal advertising is not feasible or practical in these cases, they are strictly negotiated contracts for "personal services" and "professional services."

* If personal services, they are required to be performed by an individual contractor in person (not by a concern); if professional services, they may be performed either by an individual contractor in person or a concern:

In most cases when awards are made by the Corporation in the above non-competitive area it is "for property or services for which it is impractical to secure competition." The following are illustrations of circumstances which determine this type of procurement:

* When property or services can be obtained from only one person or firm (sole-source).

* When competition is precluded because of the existence of patent rights, copyrights, secret processes, control of basic materials or similar circumstances.

* When the contemplated procurement is for educational and training films, television and motion picture production, or manuscript.

* When the contemplated procurement is for studies or surveys.

* When it is impossible to draft for an invitation for bids adequate details and specifications or any other adequate details and specifications or any other adequate description of the required property or service.

When the purchase or contract is for experimental, developmental or research work or tests.

Proposed procurements which offer opportunities for prospective contractors are publicized to increase competition thus assisting minorities, women, small business concerns in participation in the Corporation for Public Broadcasting procurement programs.

A reasonable number of copies of each invitation for bid, request for proposals, including specifications and other pertinent information is maintained by the Corporation for Public Broadcasting. To the extent such invitation for bids and request for proposals are available, notices are mass mailed to prospective bidders and proposers, then the proposals are provided, upon their request, to the producers and regular dealers in the media of motion pictures, television or others having a legitimate interest therein, such as publishers, trade associations, procurement information services and others who disseminate information concerning invitation for bids and requests for proposals including Department of Commerce Synopsis for the Commerce Business Daily.

Question: Are there ever instances where only one appliction was received and you still considered the award to be competitive?

Answer: There have been no instances where only one application was received and CPB considered the award to be competitive.

COPYRIGHT FEE

Question: What is the amount of the copyright fee in the fiscal 1982 budget?

Answer: The copyright fee in the FY1982 budget is three million dollars.

Question: What does it cover?

Answer: Payment of music royalty fees to the copyright holders for use in TV and radio of non-dramatic music, and administrative costs related to copyrights incurred by PBS and NPR.

Question: Are any administrative costs included in this figure?

Answer: Yes, approximately $200,000 in combined costs incurred by PBS and NPR.

Question: How does this expense affect the amount of pass-through to the stations? (If there is no effect, will this still be true in fiscal 1983?)

Answer: The FY1982 operating budget is still in development at this time. Current recommended action proposes to reduce the available appropriation by an amount equal to copyright costs. Under this arrangement, elements of the budget, including the pass-through would compete against this lower funding level, and could therefore, be lower than anticipated.

Question: Regional entities seem adept at bargaining in program acquisition. Might local stations be able to negotiate with licensing agents more efficiently than CPB?

Answer: The current copyright arrangement allows for a blanket compulsory licensee covering the industry as a whole, not on a station-by-station basis. It is our view that if stations were required to negotiate individually, as do commercial stations, there would be a substantial increase in fees and cummulative administrative costs far in excess of what public broadcasting currently pays.

Question: What provisions in copyright law would make this approach more feasible?

Answer: Elimination of the blanket license would make individual station negotiation possible and, we believe, substantially increase costs.

CONSULTANTS

Question: What percentage of CPB's budget pays for consultants?

Answer: Three-tenths of one percent (0.3%) of CPB's budget pays for consultants.

Question: What percentage of consultants are contracted due to insufficient in-house expertise? In-house capability?

Answer: As a matter of policy CPB retains consultants only in cases of insufficient in-house expertise or manpower. For several years CPB has made a concerted effort to restrain staff expansion, while additional responsibilities have been mandated. An example of consultant use is in the areas of engineering research, where CPB maintains a professional staff of two, and utilizes outside expertise for the exploration and development of specific technology areas. A second example is a team of expert station personnel who provide assistance to other stations in such areas as engineering, fund-raising, and program promotion. Such use of consultants as needed is far more efficient that employment of full time staff to meet system needs.

Question: What would be the consequence of freezing all consulting contracts pending a full review of their usefulness?

Answer: The result would depend on the area affected. Legal opinions would be impeded; delayed audit of financial records may place the Corporation in violation of the law; efforts in development of new technologies would suffer; and other services would be delayed or not provided at all.

Question: Do you have any plans to implement delay-of-drawdown letters of credit financing, or checks-paid financing, for consultant contracts?

Answer: No. There are no plans to utilize these methods.

Question: How much money in interest not earned will CPB lose during fiscal 1981 and 1982 as a result of not using these finance methods?

Answer: None and CPB retains all cash and interest bearing instruments until required for expenses.

CPB EFFICIENCY

Question: What identifiable actions have been taken by CPB to bring about greater efficiency in the administration of CPB services?

Answer: For comparative purposes we would note that CPB's administrative budget in FY1977 was $8.1 million. In FY1981 it is also $8.1 million. During this same period the cost of living increased by 48 per cent which would have added $3 million to our administrative budget. We have been able to offset these increases by dropping some fixed term activities, reducing travel and consultants and holding steady the levels of personnel. On-board strength has remained fairly consistant at a level of 127 full-time employees over the last five years.

Question: What reductions in the budget request can be attributed to existing or anticipated increased efficiency in program administration?

Answer: At a minimum, assuming there is no rescission of funds appropriated for FY1982, CPB will continue to absorb many increasing costs due to inflation and further reduce personnel levels, consultants and travel. This efficiency, however, will at some point be replaced by decreasing levels of service provided to the industry through no-growth in basic support services.

Question: Aside from budgetary reductions, what actions have been taken to improve the administration and delivery of CPB services?

Answer: CPB has reorganized its operating structure to create the Program Fund, a separate unit responsible for support of national TV program production; merged radio and TV activities divisions into one broadcast services area; reached agreement with TV and radio stations to share the cost of distribution services; and begun to make more extensive use of teleconferencing within the industry.

CPB BUDGET ALLOCATION

There has been continuing concern within the public broadcasting system about CPB budget allocations. Local licensees have been disturbed by the apparent impetus to reduce the percentage of funds allocated for

Community Service Grants pass-through to stations. Nevertheless, the licensees recognize that Corporation resources are stretched thin in carrying out the mandates of the 1978 authorization, as interpreted.

Question: Would you break down your budget for fiscal 1982 by major categories and identify them for us?

Answer: Below is a breakdown of the FY1982 appropriations by program:

PROGRAM	AMOUNT
Distribution of Funds Among Public Telecommunications Entities	$ 116.9 Million
Production (Radio/TV Programming)	38.1 Million
Research, Training, Tech. Asst., Other	5.3 Million
Administrative Expenses	8.5 Million
	$ 172.0 Million

The first category includes funds for unrestricted grants to the stations (Community Service Grants), support for interconnection expenses, and radio expansion activities.

The Production category provides funds to stations and independent producers for television production and NPR for radio production.

Research and Training funds are allocated to: education/instruction support projects; human resources development, including employment, training and ownership activities; and program-related research including panels.

Question: Does the administrative cost that you cite include the administrative cost for all programs and activities of CPB?

Answer: Administrative expenses encompass all salaries, benefits and logistical costs (travel, printing, etc.) for all CPB.

ACCOUNTABILITY

A primary function of the Corporation is to serve as a conduit for Federal support of local stations. The other side of that coin is to provide for accountability for funds received and expended by the stations.

Question: What are the costs to the Corporation to: (1) distribute Community Service Grants and (2) to assess audits of grantees?

Answer: The costs to the Corporation are as follows:

(1) Distribute Community Service Grants	$109,000
(2) To assess audits of grantees	371,000
Total	$480,000

It costs $480,000 to distribute and account for $96 million (0.5%).

Question: Where is this amount reflected in the budget?

Answer: This amount is reflected in our budget as Administration.

Question: What are the costs to the licensees for the same?

Answer: Community Service Grants are passed on in their entirety - subtractions by licensees for overhead are not allowed; nor is it allowed to supplant funds.

ACCOUNTING STANDARDS

Among the provisions passed by Congress in the 1978 Public Telecommunications Financing Act was the requirement that CPB develop a set of accounting principles and auditing standards.

Question: Has CPB developed its set of accounting principles and auditing standards for the financial review of all public telecommunications entities as mandated by Congress?

Answer: Yes, we have adopted CPB Accounting Principles to be used by all entities receiving funds under the Act and have published an Audit Guide and Requirements which includes audit standards.

Question: Will the requirement for independent audits result in a burdensome expense for institutional licensees (such as stations that are affiliated with universities, that will no longer be able to use the same accounting firm that the university uses for the rest of its accounts)?

Answer: A station may elect to use the same accounting firm that its licensee uses. The firm would be required to develop complete financial statements for both the licensee and the station in that case and would probably be the least expensive, most efficient way to go.

There are many factors involved in determining whether independent audits would be a burdensome expense - how much of the cost the institution would absorb, what kind of donated auditing services could be arranged, the financial health of the station, the condition of the accounting records at the station, etc. CPB is working closely with its stations to provide assistance in all these areas where possible.

SATELLITE DISTRIBUTION

You indicated that satellite distribution costs are $10 million.

Question: Is this the total for radio and television combined?

Answer: No, this amount represents the CPB supported portion of total television and radio costs, as well as the costs of the satellite debt service.

Question: If so, how is that cost divided?

Answer: As stated above, $10 million does not account for the total cost of interconnection. The $10 million represents the following:

$5.5 million - CPB's portion of TV interconnection costs (the remaining costs, approximately $5.5 million are assumed by the stations)

$0.8 million - Radio's national programming distribution costs (basic distribution costs of $2.2 million are asumed by the stations)

$3.0 million - Debt service for satellite construction

Question: Is CPB paying the total cost for TV at the national level?

Answer: No, costs are shared with the stations.

Question: What is your rationale for determining radio's support?

Answer: CPB pays the cost of distribution of CPB supported programs. Costs for basic distribution are assumed by the stations. Other programming-related costs are borne by the users.

Question: What is your rationale for TV's support?

Answer: A shared cost arrangement provides increased funds available for national programming and promotes more efficient operation of the distribution system by instituting an oversight responsibility on the part of the users (stations).

Question: Why would it not be more efficient for the local licensees to pay the entire cost of satellite interconnections, instead of only half the cost, given additional pass-through in the amount CPB now pays for satellite distribution? Or CPB to pay all?

Answer: It is possible that the shared payment arrangement is not the most efficient. CPB is currently studying the issue as part of its budget process, and may change the current policy if appropriate.

Question: How did the split payment evolve?

Answer: The split payment came about from a dual desire to free additional funds for national program production and promote more efficient operation of the distribution system by instituting oversight responsibility on the part of the users.

SATELLITE DEBT SERVICE

CPB's initial investment in earth stations for satellite telecommunications incurred a debt, referred to in the budget as the satellite debt service.

Question: What is the remaining obligation on that debt, and over what period of time was the debt to be paid back?

Answer: The remaining obligation is $24 million to be paid back over eight years.

Question: Are you ahead of schedule in paying back the debt?

Answer: No, CPB's debt repayment is on schedule.

Question: If so, has expediting payback of the debt affected the funds available for satellite distribution expenses?

Answer: The satellite payment plan was reviewed in detail and approved by the Board as a multi-year financing plan aimed at causing the minimum disruption to on-going CPB operations, including its support of distribution costs.

COORDINATION WITH OTHER FEDERAL AGENCIES

Question: Does CPB presently coordinate with other Federal Agencies to produce and distribute training and technical assistance videos, cassetts, or records? Are there any plans to do so in the future?

Answer: To date the Corporation has not participated with any federal agencies in funding the production and distribution of training and technical assistance programs. The Corporation has, however, joined with federal agencies such as the National Science Foundation and the Department of Education to fund the production of various types of programs for broadcast to the general public and in experiments demonstrating the potential of new technologies to specialized groups, e.g., the handicapped. CPB looks forward to continued collaboration with such agencies in future financing for the production of educational, cultural, and information programs.

COMMERCIAL REVENUE

Question: Should public broadcasting stations be permitted to develop commercial revenue sources, and if so, in what form and to what degree?

Answer: In 1979 the Congress endorsed a federal funding mechanism for the support of the public broadcasting industry that was predicated on its ability to generate revenues — the matching principle. Since that time the public broadcasting/telecommunications industry has been quite successful in raising funds by a wide variety of means. Public broadcasting's continued independence and survival depends on its ability to generate revenues. Given proposed reductions in federal dollars and commensurate reductions at state and local levels, this ability will become even more important in the years ahead.

The question of whether or not such revenue producing activities are commercial is difficult to address because the term itself is vague and subject to wide ranging interpretation. The Corporation does not endorse ventures where profit-making is an end unto itself. We do support, however, the efforts in all parts of our industry to become increasingly self-sufficient so long as these activities advance public service mission central to the enterprise and enable us to better serve the public through increased quality and quantity of services.

RADIO EXPANSION GRANTS

Question: To what degree are radio expansion grants "committed"? Explain.

Answer: The Corporation's Coverage Expansion Grant program for public radio was established in 1975 to extend the services of this system to all citizens; at that time public radio was estimated to cover about 65 per cent of the country. The Coverage Expansion Grant program is competitive, with first priority accorded to establishing or upgrading stations in areas which currently have no public radio service. In its current form the program provides preoperational and/or operational support to the recipient with the objective of bringing the station up to CPB's CSG qualification criteria. Depending on the particular circumstances, support for expansion recipients ranges from 18 to 30 months. While CPB is not technically obligated to provide funding beyond the contract year in question, once a station starts along the road to qualification there is a great measure of good faith reliance on their part that CPB will assist them up to the point of becoming qualified.

Question: Are any CPB administrative costs included in the total amount allocated for radio expansion?

Answer: By provision of law CPB's administrative expenses are segregated from all direct program expenses. Therefore, administrative costs are not included in this or any other CPB grant program.

PUBLIC TELECOMMUNICATIONS SERVICES

Question: What is the present status of the CPB's five year plan on the development of public telecommunications services?

Answer: CPB's Five Year Plan for the Development of Public Telecommunications has been completed and is available for distribution. In the plan we have set out the goals we believe the industry should seek to accomplish in the next five years, and have estimated the resources required to reach those goals.

As CPB's planning process continues, we will be establishing priorities among the various activities identified in the plan, and further refining some portions of the plan as part of the annual update.

NATIONAL PROGRAMMING FUND

Question: How dependent are local radio and TV stations on national programming? What percentage of air time is filled with national programming?

Answer: We estimate that 72 per cent of local television broadcast hours are filled by nationally distributed programs. In radio, 21.7 per cent of local broadcast hours are filled by nationally distributed programs. This is one of the major differences between radio and television. Local television is very dependent on national programming, whereas radio is primarily a local medium.

Question: What "affordable alternatives do local Public radio and TV stations have to national programming?

Answer: Without national programs, most local stations would have to fall back on the acquisition of material, a significant percentage of which would be foreign production. They would have to accept second and third reruns and probably be devoid of original productions, and lack the program quality which public television has been associated with.

Question: Would reduction and/or elimination of national programming funds dampen fund-raising abilities of local stations? By how much?

Answer: The vast majority of local fund-raising is built around national programs. To lose this source of programs would seriously hamper local fund-raising efforts. We estimate that over a period of time as much as 50 per cent of viewer support could be eroded.

Question: How much does CPB now allocate to national programming? For fiscal 1983? For requested fiscal 1984?

Answer: In FY1981 CPB allocated $39.4 million to national programming ($25.3 million for television and $14.1 million for radio). The estimate for FY1982 and FY1983 is $41.3 milion. At the $293 million appropriated level requested by CPB, $80 million would be allocated to national programming.

Question: How much less would go to national programming in Fiscal 1982 and 1983 under the Administration's rescission requests?

Answer: Under the rescission requested by the Administration for FY1982 and FY1983 funds allocated to program production would be reduced to $30.7 million in FY1982 and $30 million in FY1983.

NATIONAL PROGRAM SUPPORT

I think we all agree on the need for insulation between governmental funding of public broadcasting and its program decision-making process, but the result of the present mechanism and structure seems to be isolation of local licensees (and the needs of their communities and audiences) from CPB programming decisions.

Question: For instance, is there any Public Broadcasting System representation on CPB peer panel review of the Program Fund?

Answer: Yes, public television stations are represented on almost all panels. To date, 42 of the 93 panellists have been from stations (45 per cent).

Question: How has CPB responded to the Program Managers Advisory Council's criticism of the Program Fund recommendation to require nightly news for T.V.?

Answer: The Program Fund has not recommended or required any local public television station to have a nightly news program. The Program Fund has been considering a request by a consortium of public television stations to asist in support of a news cooperative in which they would supply the material, and which would be available to all public television stations, and which would assist them should they choose to produce a local news program.

PEER GROUPS

Question: What are Program Fund "peer groups"?

Answer: "Peer Groups" or Panels, are composed of individuals who, as a group, represent the diversity of the public television system, geographically, professionally, and ethnically. The nature of the tasks assigned to these Panels ranges from proposal review/evaluation, to review and recommendations for on-air programming, to advise about future trends and developments, to seeking general direction in particular program areas such as news and public affairs, cultural, etc.

Question: How often are they employed, and for what?

Answer: They are employed periodically throughout the year as follows:

* Agenda Panels - once annualy
* Program Review Panels - four times annually
* Proposal Review Panels - nine times annualy following solicitation of proposals by the Fund
* Minority SPC Panels - once annually
* Ad Hoc Panels - varies, up to four times annually

Question: Are all regions of the country equally represented in the "peer groups"?

Answer: Yes, each panel represents a diverse cross-section of experts — both geographically and ethnically.

NATIONAL PROGRAMMING

In the Reagan Administration's recent recommendations, it has been suggested that, "With notable exceptions, program development can be achieved much more effectively — and at a far lower cost — at the local and regional level."

Question: What is your reaction?

Answer: We do not find this to be true. If there were no mechanism at CPB to stimulate and support the development of high quality innovative programming at the national level, such a mechanism would have to be created at the local level — one that would recognize the diverse needs, views and interests of both the stations and under-represented minorities/women. We feel that CPB is best equipped to meet these needs and can meet them at reasonable costs.

There is a need to supplement local station schedules with programs of more-than-local interest, and there is a need for long-term funding that can make multiple-year commitments that many major production efforts require. Without a single source of program funding, very few risks on new or innovative program concepts will be taken, thus limiting access to the system to the small independent producer.

A well respected source of funding can serve as an important stimulus for outside co-funders, as CPB has demonstrated in the past by attracting co-funders on almost a dollar-for-dollar basis.

It has been suggested that national programming can be achieved more cost-effectively through local and regional interactions in responding to multiple and diverse audience needs.

Question: What is your reaction?

Answer: We do not believe that national programming can be achieved more cost-effectively at the local/regional level because the cost of quality programming is so high that it is beyond the means of the local stations and regional networks. If the Program Fund did not exist to supplement funding, one would have to be established in order to maintain the expensive, high quality programming currently on the air.

Question: Has the independent program service (IPS), which existed before CPB instituted the National Program Fund, demonstrated efficient utilization of dollars in program production?

Answer: We are not familiar with the Independent Program Service. Consequently, we are not able to respond to the this question.

Question: In view of the limited dollars available, would IPS not be a sensible approach to national program production?

Answer: We are not familiar with the Independent Program Service. Consequently, we are not able to respond to this question.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF CHARLES BENTON, CHAIRMAN

ACCOMPANIED BY:
TONI CARBO BEARMAN, EXECUTIVE DIRECTOR
DOUGLAS S. PRICE, DEPUTY DIRECTOR
MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR

SUBCOMMITTEE PROCEDURE

Senator SPECTER. We will now hear testimony from Chairman Charles Benton from the National Commission on Libraries and Information Science. As Chairman Benton and his group come forward we'll take a two-minute break.

[A brief recess was taken.]

INTRODUCTION OF ASSOCIATES

Senator SPECTER. The subcommittee will now come to order again. Having cleared the room of the television apparatus we will now hear your testimony.

Chairman Benton, would you start by introducing those who are with you?

Mr. BENTON. I'd be pleased to make introductions. I'd like to introduce our new Executive Director, Dr. Toni Carbo Bearman, who has been with the Commission now for 3½ months. She received the first Ph. D. in the United States from Drexel University in management and information resources with her dissertation on the use of scientific and technical information. She has spent 19 years in the library and information field, half of which was in Philadelphia. To her right is Mary Alice Hedge Reszetar, who is our Associate Director of the Commission and to my left is Douglas S. Price, who is the Deputy Director. Bessie B. Moore, our Vice Chairman, who usually participates in these sessions, is today receiving a special award from the new Republican Governor of Arkansas and deeply regrets that she is unable to be here. Her testimony has been submitted as part of the official record.

Would you like me to proceed, Mr. Chairman?

SUMMARY OF STATEMENT

Senator SPECTER. Yes; Chairman Benton, if you would summarize your prepared statement we would appreciate that. That will leave more time for specific questions which we may want to put to you.

[The statements follow:]

STATEMENT OF CHARLES BENTON

My name is Charles Benton. I am the Chairman of the National Commission on Libraries and Information Science. As you will remember, the Commission is a permanent independent agency established to advise the Congress and the President on research, planning, and national policy for libraries and information science. The Commission's request for fiscal year 1982 is for an appropriation of $702,000. Last year, you will recall, the Commission was responsible for planning and conducting the first White House Conference on Library and Information Services, which was preceded by 56 state and territorial Governors' conferences. The National Conference with its 1,000 elected delegates and alternates, and over 2,500 official observers, guests, and others, was one of the largest White House Conferences ever held in one location. It was organized around five major themes, each related to library and information services for a broad area of user needs. It produced 64 resolutions and the first multimedia report to the President. A fourteen-member high-level Interagency Task Force was established by the White House to consider the most effective means of implementing the resolutions. It helped shape the Presidential Message to Congress with his recommendations for your consideration. A copy was placed in the Congressional Record, which is attached to my statement. The first White House Conference on Library and Information Services was the result of a 22-year process actively involving four Administrations, two Democratic and two Republican.

Two of the White House Conference resolutions concerned the establishment of an Ad Hoc Committee on Implementation of the White House Conference Resolutions and Recommendations. Therefore, the Commission made the arrangements for the Ad Hoc Committee to meet last September, in conjunction with a Commission meeting. Even though the participants (one public and one professional delegate elected from each state and territory) had to pay their own travel and hotel bills, there were 91 delegates present out of a possible 118. In fact, the Committee decided to call itself initially the Committee of 118. The Committee organized itself by electing a steering committee and officers. Interestingly, the steering committee balance consists of two-thirds public and one-third professionally-related which is, as you will remember, the exact ratio of public to professionals in each of the state and territorial pre-White House Conferences and also at the National Conference. This group is a good example of how, with its limited resources, the Commission serves as a catalyst by bringing together experts in the field with concerned citizens and assisting the group to develop a self-sustaining, independent mechanism to carry out its objectives. The Commission will continue to work closely with this group to coordinate the Committee's activities with the extensive White House Conference follow-up activities of the Commission itself.

The Commission presently has four task forces of experts dealing with major areas of national concern relating to library and information services. The Task Force on Public/Private Sector Relations, the Task Force on Community Information and Referral Service, the Task Force on Library/Information Services to Cultural Minorities, the Task Force on the Role of Special Libraries in Nationwide Networking and Other Cooperative Activities. I would like to give a thumbnail sketch of the work of each task force:

--The Task Force on Public/Private Sector Relations is concentrating on the respective roles of the government and private sectors in the dissemination of scientific, technical, business, and other information. The private sector includes representatives from both the for-profit and the not-for-profit communities. This high-level task force is reviewing and evaluating legislation, government regulations, policies and practices, and Executive Orders as they relate to the roles and interactions between government and the private sector. The task force has already presented to NCLIS a progress report which includes several principles that could be most useful to government agencies in the development of their information guidelines or policies. The Commission expects that the final product can be of extraordinary value to the government (both Executive and Legislative Branches) in helping to achieve the optimum balance between information activities undertaken by the government and those of the private sector. Also, it should have particular relevance to the Office of Management and Budget in its implementation of the Paperwork Reduction Act.

--The Community Information and Referral Service Task Force was established to help strengthen the role of the public library as a community information center, especially in the provision of Federal information to the public. Public libraries no longer see their resources limited to those within their four walls. Many of them are looking to an expanded role as a referral center to community resources, such as child care centers and programs for senior citizens. Using their experience in organizing material and making it available for use, these libraries are gathering together information about community services and making this information available to interested citizens. Some are going a step further and following up on their referrals to see if the citizen received a satisfactory answer. This Commission task force is helping libraries to find ways in which they can move toward fulfilling this new role.

--The Task Force on Library and Information Services to Cultural Minorities is reviewing the White House Conference on Library and Information Service Resolutions which related to the needs of the unserved, isolated, socially and economically disadvantaged citizens of the United States. This task force will provide specific recommendations for use in hearings on revised legislation for library and information services.

--The Task Force on the Role of Special Libraries in Nationwide Networking and Other Cooperative Activities is examining ways to minimize the barriers to the active involvement of special libraries, particularly those in the private sector, in cooperation and resource sharing. It is encouraging the participation of special libraries in networking and other cooperative activities, so that the nation, as a whole, can have access to their valuable resources.

As stated in our justification, the Commission feels that there are three key areas that we will address in fiscal year 1982:

Specifications for Revised Legislation for Library and Information Services

--In 1982 the Library Services and Construction Act (LSCA) comes up for renewal. Therefore, in line with the many resolutions of the White House Conference and requests from Congress, the profession, and others to help develop specifications for new legislation, we plan to make this topic our first priority. This is an opportunity to build upon the recommendations from the White House Conference and those from our various task forces, especially the ones on community information and referral services and the needs of cultural minorities, to provide specifications for new legislation to meet user needs. It is imperative that this legislation be updated and improved to make it more relevant to current needs and concerns.

We look forward to assisting both the House and Senate in whatever ways Congress deems appropriate to achieve this important goal. Indeed, this may be the best way for Congress to get a real pay-off for its multi-million dollar investment in our White House Conference process of involving citizens in developing recommendations to improve public policy for library and information services.

Improved Dissemination of Federal Information

Every Federal agency has the responsibility to disseminate information about its activities or to diffuse the results of its research and data gathering among the people of the United States. This is done now in a variety of ways which, for the most part, reflect the agencies' missions and responsibilities. Thus, for example, we have a depository library system, energy and agricultural extension services, and the Federal Information Centers. There are a number of other information dissemination programs and systems. Public libraries are the base for the depository system and land grant university libraries are a significant element of USDA's extension service. As a result, the dissemination and diffusion programs, including the Federal Information Center program, are pretty much stand-alone operations.

To the individual citizen or community group seeking information to answer a problem, there is little chance to find the answer at a single local institution. One possible answer is to strengthen the services of the public library so that it can become known as the local information center. Another is to bring the outreach offices of various Federal agencies together in the same location. An example of this kind of activity, now frequently cited, is the Regional Energy/Environment Information Center at the Denver Public Library. Support for this Center comes from several Federal agencies and the City of Denver. It is one of a number of models that could be created, observed and evaluated. The Commission's Public/Private Sector Task Force is nearing completion of a set of working principles which can be very useful in developing new models for community level information dissemination and diffusion.

Resource Sharing and Application of Technology

--In our report to the President, we suggested elements of new library and information services legislation. First among these elements was improving the sharing of resources within the library and information services community. The sharing of resources and the application of technology is a fundamental thread that has run through virtually all of the work of the Commission since its inception, because these two principles form the basis of all contemporary library and information service activities. In order to reallocate Federal, state, and local resources so that they can be used most efficiently, it is essential that we utilize the newest technology and improve systems to share existing resources. The Commission has supported a series of different task forces to provide the necessary components for a nationwide system to share resources through networking. Our project with the Library of Congress and the Federal Library Committee, our participation on the Network Advisory Committee and our Special Libraries Task Force are but three components of this major effort. We will continue to build on these activities, and we plan to complete the work of the Special Libraries Task Force and the Library of Congress study in fiscal year 1982.

Working with Congress, the new Administration, the library and information community, and the community-at-large, the Commission will devote its resources to these three key areas--providing specifications for updated and revised legislation for library and information services; working with Congress and the appropriate agencies, especially the Office of Management and Budget and the Government Printing Office to improve the dissemination of Federal information; and continuing our work on resource sharing and the application of technology--in fiscal year 1982. We are pleased to be able to contribute to the progress of our "information society." This is certainly an exciting and challenging time to be working on legislation, government information guidelines, and the newest technologies to improve library and information services for the American public.

Thank you, Mr. Chairman. Rather than go into any further detail, we will be happy to respond to your questions.

MESSAGE FROM PRESIDENT CARTER ON WHCLIS

September 26, 1980

To the Congress of the United States:

I am pleased to transmit to you the Report of the White House Conference on Library and Information Services and my own recommendations on public access to information, as required by Sec. 1(d) of Public Law 93-568 of December 31, 1974.

Information is the essence of education and the lifeblood of democracy. People need accurate information to make the personal and political decisions that will shape the country's future. The production and distribution of information is a significant factor in our economy. A technological explosion is reshaping the way information is stored and communicated, while rising costs and limited resources strain the public institutions that make information accessible.

The White House Conference considered all these issues. It examined our information needs and problems and the key role of libraries in meeting them. The delegates included librarians, information specialists and community leaders. They were selected at conferences in every state and territory, through a process that involved 100,000 people. I wish to commend the National Commission on Libraries and Information Science for its key role in making the Conference a success. The Conference theme was "Bringing Information to the People." Its recommendations will help us frame an information policy for the 1980's.

The Importance of Libraries

Since the beginning of our Nation, libraries have played an important role in providing citizens with the information they need to guide our destiny. Our First Amendment rights have been strengthened by the independent status of libraries free from government control. By preserving the records of our history and culture, libraries serve as a door into our past. As a source of the information we need to direct our lives, they also serve as a door into our future. As we plan for the information requirements of the 1980's and beyond, we should acknowledge the contributions that libraries have made and ensure they remain vital.

Most libraries are local institutions, under local control. State and local governments bear the responsibility for supporting and operating public and school libraries. I agree with the White House Conference that this principle must be maintained.

At the same time, the Federal Government has assumed a special role of helping libraries provide access to information for all. The Government also provides leadership in developing new technologies and services, and encouraging resource sharing among all types of libraries. This Federal role complements the basic responsibilities of state and local governments. My administration has worked with Congress to fulfill that role.

To ensure that library programs get the attention they deserve, we created an Office of Libraries and Learning Technologies in the new Department of Education, headed by a Deputy Assistant Secretary.

Overall Federal support for libraries has increased by almost 30 percent since the beginning of my Administration. We proposed improvements in the Higher Education Act to strengthen support for library research and demonstration and training programs and for college and research libraries. We supported literacy and school library and media programs through our 1978 amendments to the Elementary and Secondary Education Act.

My 1982 budget request to Congress will reflect our response to the Conference recommendations for increased budgetary support for resource sharing among libraries; research and development in information technologies; and research libraries.

The Conference recommended a new National Library and Information Services Act to redefine the Federal role. I will submit new legislation to replace the Library Services and Construction Act which will expire in 1982. This legislation will include such issues as:

- barriers to information access for the handicapped and disadvantaged;
- library networking and resource sharing;
- the role of large urban libraries and research libraries as centers for library resource networks; and
- new information technologies.

I urge the Congress, the library community, and the public to join in the discussion during the next year on the priorities among these important concerns.

Government Information

The Federal Government has a special responsibility to ensure that its information is made available to the people. Open government is vital to democracy. We must also recognize the constraints of national security, privacy, efficient decision making, and costs.

We are working to address these concerns in a way that increases access to information. A new office has been established in the Office of Management and Budget to develop Federal information policy. This office is working closely with the agencies, libraries, and private sector to develop a policy on the management and dissemination of information by Federal agencies. This policy will affirm the key role of the Federal depository libraries as centers where citizens can obtain free access to government publications.

The policy will also stress the special role libraries can play in helping Federal agencies disseminate information that people need. We should not create new delivery systems when libraries, with strong community bases, can do the job. The Denver Public Library is one example of a library that is working closely with several agencies to make consumer and environmental information available. I encourage and support cooperation like this. To foster such partnership, I have directed the Administrator of the General Services Administration to work with the library community and the Department of Education to select three to five Federal Information Centers and locate them together with libraries. If this cooperative effort is as successful as I expect, I will expand the program.

My Administration has also taken a number of other initiatives to improve and enhance public access to government information. For example:

- We revamped the security classification system to eliminate needless initial classification and reduce the time that documents remain classified while strengthening protection for necessary secrets. About 250 million pages of documents will be released because of this change.
- The Freedom of Information Act is being administered fairly. The Department of Justice has instructed agencies to release information that could legally be withheld if the release could not be clearly harmful.
- Our policy on industrial innovation calls for an improvement in the dissemination of patent information, which will make over 4 million patents accessible.
- The National Technical Information Service has expanded the indexing and dissemination systems available to scientists and engineers.
- Increases were requested for the National Commission on Libraries and Information Science, an agency which has a vital leadership and coordination role in library and information science at the national level.

The Needs of the Disadvantaged

The Conference report serves as a reminder that too many of our citizens are cut off from the information available to most of us. One of the greatest barriers is functional illiteracy. To overcome this problem, I have directed the Department of Education to take the lead in coordinating Federal efforts to eliminate functional illiteracy. Their task will be to identify methods and programs of demonstrated value and to work with local education agencies, libraries, and voluntary organizations to implement these programs. Twenty percent of our Americans are functionally illiterate, and we must expand our commitment to helping these people obtain the basic skills they need.

Under my Administration, a new Basic Skills Improvement Program was authorized in 1979. Its overall objective is to bring about national improvement in student achievement in the fundamentals of education--reading, writing, speaking and mathematics.

We are working to assist disabled Americans. At my request, the broadcasting networks helped establish a pilot closed-captioning television system to permit the hearing-impaired to share the educational and entertainment shows available to everyone. In addition, the Library of Congress and the Department of Education are working to provide special materials, equipment and services for those with physical handicaps and learning disabilities.

Another frequently overlooked barrier to information is geography. Many Americans are denied access to information because of where they live, such as an Indian reservation, a Pacific Island, or an isolated area. To address these problems and those of other persons isolated from information due to their location, I am directing the Department of the Interior to analyze these issues and provide recommendations to me.

I will soon send to the Senate a protocol to the Florence Agreement of 1952 further liberalizing the exchange of books and information and reducing barriers to international understanding. The National Commission on Libraries and Information Science has already begun working with the International Federation of Library Associations.

The New Information and Communications Technologies

New technologies are revolutionizing the ways in which we create, store and disseminate information. For example, the text of 3,200 books can now be stored on a 12-inch videodisc which costs $20. In the library, computers are replacing the card catalog. The sum of changes like these will have a major impact on our lives.

My Administration is actively encouraging the creative application of these technologies for the benefit of all individuals. As the largest user of computer technology in the world, the Federal government plays a major role in deciding how this techology is applied everywhere. We are using technology to provide government services, including information, in new and better ways. A number of agencies are actively involved in conducting or supporting research and development into new technologies and their application. We shall aggressively pursue such research. We also have a program to develop standards which will enhance our ability to transfer technology.

We have worked to remove regulations that prevent competition and constrain application of the new technologies. The Federal Communications Commission is completing a dramatic overhaul of its regulations, opening up competition and promoting diversity. Recent actions are creating 1000 new radio stations and a whole new class of community TV stations. We developed a program which has doubled minority ownership of broadcast stations. We are working with Congress to pass legislation to reduce regulation and promote competition in telecommunications. The explosion of outlets in the electronic media provides special opportunities for libraries. For example, libraries can work with cable TV systems to program public service channels. Competition will stimulate innovation, increase productivity, and make the communications industries more responsive to consumer demands.

Actions we have taken to realize the public dividend from the new technologies include:

- My space policy, which is helping public service producers use satellites to cut their communication costs. The Commerce Department is responsible for this program, and I am directing them to work with the library community to make satellite and other emerging communication technologies available where it is cost-effective for networking and other purposes.

- The Department of Education will support a conference of independent experts to develop an agenda for library research in the 1980's.

The library and information science communities will be encouraged to propose technology assessment studies for consideration by Federal agencies.

As our society expands use of the new information technologies, we must protect our personal privacy. Last year I proposed the Nation's first comprehensive privacy policy. Five privacy bills are now before Congress, covering medical, bank, insurance and others types of records. Their passage is an essential ingredient to an information policy of the 1980's.

The biggest challenges rest with the library and information community. These institutions are run by talented and dedicated people with strong bases in their communities. They have contributed much, and they can do even more to meet people's needs in coping with the problems we face in the '80's. I believe we have viewed libraries too narrowly. The needs of the public who must cope with our increasingly complex society can only be met by libraries actively providing access to the great variety of information they have. Libraries can provide information to individuals about jobs and education opportunities; information to families about social services and energy; and consumer information to small business on marketing and technological innovation. Americans must be able to obtain this information in convenient, accessible, community institutions like the library. To survive as community institutions, libraries must be strengthened and the public made more aware of their potential.

We expect that the libraries will help to teach people the value of energy conservation and the ways to accomplish it; help the American people protect themselves from inflation by informed purchasing; help them to see that we live in an interrelated world which requires both America's strength but also American patience and American understanding; and, help them most of all to learn that we have to look at the world as it is and not as we remembered it 25 years ago. I have every confidence that you will meet these challenges as you have others in the past. Libraries will continue to be a critical ingredient in building a stronger, a more vibrant, a more informed America that we all hope for.

JIMMY CARTER

THE WHITE HOUSE
September 26, 1980

CHARLES BENTON - Biographical Data

PERSONAL:

Born: February 13, 1931, New York
Married: Marjorie Craig, 1953
Children: Adrianne, 1955; Craig, 1957; Scott, 1958
Residence: 585 Ingleside Place, Evanston, Illinois 60201

EDUCATION:

Deerfield Academy, 1949
Yale University, 1953, B.A.
Graduate Studies at Northwestern University and National College of Education

PROFESSIONAL EXPERIENCE:

1953 - 1966	Encyclopaedia Britannica Films, Inc. (Producer and distributor of educational audio-visual materials)
1953 - 1955	Assistant in Production, then Producer
1955 - 1958	Administrative Assistant in Market Research
1958 - 1959	Teacher: Leave of absence to teach 5th grade Washington Elementary School, Evanston, Illinois
1959 - 1960	Administrative Assistant for Films, Inc. (Distributors of 16mm feature films, subsidiary of Encyclopaedia Britannica Films)
1960 - 1962	Illinois District Manager for EB Films and Films, Inc.
1962 - 1964	Vice President of Marketing
1964 - 1966	President, Encyclopaedia Britannica Films, Inc.
1966 - 1967	President, Encyclopaedia Britannica Educational Corporation
1967 - 1969	President, Fund for Media Research
1968 -	President, Public Media Inc.
1968 - 1977	President, Films Incorporated
1977 -	Chairman and Chief Executive Officer, Films Incorporated

CIVIC ACTIVITIES:

Trustee	The American Assembly
Trustee	American Federation of Arts
President	The William Benton Foundation
Trustee	Chicago Educational Television Association (WTTW-WFMT)
V.P.	Cinema Chicago
Trustee	University of Chicago
Board	Eisenhower Exchange Fellowship
Board	National Citizens Committee for Broadcasting
Board	Visual Education Center, Toronto
Board	Donor's Forum
Advisory Board	Action for Children's Television
Advisory Board	Citizen's Exchange Corps
Board of Visitors	University of California, Los Angeles
Member, Emeritus	Board of Trustees, Broadcasting Foundation of America

CLUBS:

Arts Club of Chicago
Metropolitan Club of Washington, D.C.
The River Club of New York City

Biographical Sketch

Bessie Boehm Moore, Vice Chairman, NCLIS. Commissioner since 1971

Degrees:	BSE State College of Arkansas, Conway, Arkansas MA University of Connecticut, Storrs, Connecticut
Experience:	Member, Arkansas Library Commission, 1941-1979 (Chairman, 1950-1979)
	National Advisory Commission on Libraries, 1966-68
	Executive Director, Arkansas State Council on Economic Education, State Department of Education, 1962-1979
	State Coordinator of Environmental Education, State Department of Education, Little Rock, Arkansas, 1970-74
	State Supervisor of Economic Education, State Department of Education, Little Rock, Arkansas, 1962-74
	State Supervisor of Elementary Education, State Department of Education, Little Rock, Arkansas, 1958-65
Honors:	Arkansas Woman of the Year, 1952
	Awarded Honorary Doctor of Laws Degree, University of Arkansas, 1958
	Appointed in 1961 by Secretary McNamara to the Defense Advisory Committee on Women in the Services (DACOWITS), 1961-64
	Only woman speaker at Southern Governors Conference at White Sulphur Springs, West Virginia, August 1963
	Awarded Distinguished Service Award, American Association of University Women, May 1966
	Distinguished Alumni Award, University of Arkansas, 1974
	Member, Board of Directors, First National Bank of Little Rock, 1971-1979
	Member of the Board, Arkansas Foundation of Associated Colleges, 1975-1979
	Awarded Honorary Doctor of Laws Degree, University of Arizona, 1977
	Arkansas Citizen of the Year, 1978
	Board of Trustees of the University of Arkansas named the Economic Education Center of the University, the Bessie Boehm Moore Economic Education Center, 1979
	Awarded Honorary Life Membership (the highest honor given) by the American Library Association for 50 years of service, 1980

Biographical Sketch

Toni Carbo Bearman

Education:
PhD - Library/Information Science, Drexel University, 1977
M.S.- Drexel University, 1973
A.B.- English-American Literature, Brown University, 1969

Professional Experience:

11/80 - Present	- Executive Director, National Commission on Libraries and Information Science
1979 - 1980	- Special Consultant, The Institution of Electrical Engineers
1974 - 1979	- Executive Director, National Federation of Abstracting & Indexing Services (NFAIS)
1973 - 1974	- Consultant, NFAIS World Inventory of Abstracting & Indexing Services
1971 - 1972	- Research Assistant and Project Coordinator, Drexel University Graduate School of Library Science
1967 - 1971	- Supervisor, Physical Sciences Library and library assistant Biological Sciences Library, Brown University
1966 - 1967	- Subject Specialist, Engineering Library, University of Washington Library
1963 - 1966	- Library Assistant, Physical Sciences Library, Brown University
1962 - 1963	- Bibliographic Assistant, Library, Mathematical Reviews, American Mathematical Society

Research: Director several research projects on scientific and technical literature.

Professional Society Activities:

American Society for Information Science: Councilor-at-large, 1978-Present; Chairman, Delaware Valley Chapter, 1976-77; Member and Council Liaison of the International Relations and Networking Committees, 1979-Present; Chairman, Intersociety Cooperation Committee, 1976-78; Chairman, Special Interest Group on Library Automation and Networks, 1978-79, and Representative to the Network Advisory Committee.

Special Libraries Association: Chairman, 1978 Conference Committee, Documentation Division, 1977-78; Member, Special Projects Committee, Documentation Division, 1987-77.

Association of Information and Dissemination Centers: Member, Executive Committee (equivalent to Board), 1976-79.

American Society of Indexers: Member, Board of Directors, 1978-79.

American National Standards Institute, Committee Z39: Vice Chairman, 1977-78; Chairman, Subcommittee 1 Program and Planning, 1977-78.

Center for Literacy: Board of Directors, 1976-78.

American Association for the Advancement of Science: Committee Council Delegate, Section T, 1978.

Editorships: More than 25 articles and technical reports in professional literature, and on the Editorial Board of two major library publications.

STATEMENT OF BESSIE B. MOORE, VICE CHAIRMAN, NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Mr. Chairman, I hope the Committee will allow me a few minutes to make a statement from a perspective different from that of our Chairman. With your permission, I should like to present a point of view which is broader in terms of both time and geography. I believe I am peculiarly qualified to do this for a number of reasons. In the first place, I am now the only Member of the Commission who has served from its inception and who also served on the predecessor Advisory Commission. Beyond that, I have been actively involved with libraries for over half a century though I am not a librarian and served on the Arkansas Library Board for 38 years, the last 29 of them as Chairman. On the other hand, there has hardly been a year in the last forty when I have not been serving as a reader or advisor to some Federal agency. Therefore, while I am thoroughly familiar with the way things work in Washington, I also know what has been going on far beyond the Potomac, and I have observed and have participated in five decades of change.

You know, Mr. Chairman, we all recognize the importance of history in helping us in understanding the present and planning for the future. We should, perhaps, look at some history now. I remember testifying in the early 1950's on the bill which became the Library Services Act of 1956, the first Federal Government entry into helping provide library services for its citizens. At that time, all the advocates felt strongly that the assistance of the Federal Government would be highly significant. Later, in the early 1960's, I was part of a planning group which recommended changes which were incorporated in the Library Services and Construction Act of 1964. Two of these, which were very important, were the addition of construction and the removal of the 10,000 population limit. The former, in Arkansas alone, resulted in the construction of 59 libraries in a partnership arrangement of using local, state, and Federal funds. The physical presence of an attractive and functional library building always attracts new users, increases respect for the institution and reminds people of what they can find there for the enrichment of their lives. The removal of the 10,000 population limit made it possible to get Federal assistance for providing library service in larger communities, most of which did not have adequate library service, and equally important in the long run, made it possible to begin building systems, rather than individual collections, so that better services could be provided. I doubt if anybody at the time dreamed how important the system concept would be many years later in enabling us to cope with the onrush of technology and the information explosion. Another benefit arose from the requirement in the legislation that each state have a mechaism for handling the Federal money. This meant that every state had to have a State Library Agency. At the time, some states did not have a State Library Agency, so one had to be established, and in most states, the State Library Agency was weak and ill-prepared to be an effective planning and coordinating agency. The requirement for a mechanism to handle the Federal money forced a substantial upgrading of these agencies in all states and led to a marked improvement in their handling, not only of the Federal 5%, but also in their use of the other 95% in state and local funds. In many states, this also meant the first awareness at the state government level of the importance and value of state support and guidance for the provision of library services. This new awareness reached down to the local communities, too. I remember one instance in Crittendon County, Arkansas, where, because there was a small amount of Federal money available to buy a bookmobile, we were able to get a countywide tax for libraries passed, when such a thing had never before been considered. This experience was repeated all across America, and as a result, people in remote areas had access to books, information, and library materials that they had never had before.

I want to make two points here, and I want to make them strongly. In the first place, there are some who question whether the Federal Government has a role in the provision of library and information services. I want to point out that if there had been no Federal involvement, if there had been no Federal money available, Crittendon County and thousands of other counties across the nation would not have had a sudden incentive to support library services. There are still millions of people in this country who do not have access to adequate library service, so the need is a continuing one. Even libraries which are providing adequate service now will need help to maintain that level of service in the face of onrushing technology and the developing information society. Now, as in the past, small amounts of Federal money will serve as a trigger to release much larger amounts of state and local money. Secondly, there seems to be a great hue and cry for replacing categorical grants with block grants to the states. From my long experience, I can state that this has grave dangers, and, in the long run, library and information services sill suffer. Human nature and the demands on limited resources have not changed. I spent 20 years on the staff of the State Department of Education of Arkansas with the responsibility for the development of school libraries. There can be no question but that the availability of funds earmarked for school libraries was what made it possible for us to establish to improve school libraries. No adequate instructional program is possible without an adequate school library/media center. Unhappily, there are many schools today without anything which could quality even on low standards as an adequate library/media center. However, school administrators are tempted to divert library funds to other uses. If anything, the situation has become worse, rather than better, over the years. As recently as last year, the Department of Education, responding to a request from Congress, found it necessary to issue a new directive on this matter. In typical bureaucratic fashion, the long paragraph could be boiled down to "You can't buy basketballs and tubas with library funds." Competition for funds is not confined to schools. In the recent crunch in Arkansas, one of the first acts of a University President was to reduce library expenditures by a quarter of a million dollars.

Nor are public libraries immune. Their competition is with policy, fire and potholes, rather than athletic equipment, but they often lose out. A recent study of the use of revenue sharing funds showed that less than two percent went to libraries and most of that replaced, rather than supplemented locally generated funds. Therefore, Federal categorical aid for libraries has been--and will continue to be--absolutely essential for the health of libraries of all kinds. It is not necessary--or even desirable--for the Federal government to provide all or even most of the support, but it must provide the seed to enable our citizens to reap the harvest of better information and knowledge. To fully appreciate the changes which have occurred as the result of Federal categorical aid for libraries, you would have to have been active in the field--as I have been--over the years since the Federal government began to be involved, but I can tell you this; the difference between library programs before Federal involvement and now is as great as the difference between the 1902 Sears-Roebuck catalog and the current issue. The relatively small Federal investment has made that much difference.

All of this relates to the National Commission on Libraries and Information Science because since its inception over ten years ago, the Commission has tried--with, I think, considerable success--to stay ahead of the rest of the country in identifying the next steps to be taken. We have provided leadership for the whole library/information community, and because we have been the honest broker, because we have provided focussed, productive leadership, we are trusted by all the many interests which make up the library and information communities. Our effectiveness in this community is based on this trust.

The National Commission is the presence at the Federal level which provides a focal point for bringing the various constituencies together to thrash out differences and develop coherent positions to present to the Congress and the Executive Branch. Therefore, we can--and do--provide valuable information to the makers of policy. Just to cite a few examples. It was a series of Commission convened conferences which laid the groundwork for the compromise on library photocopying which became the National Commission on New Technological Uses of Copyrighted Works (CONTU), guidelines, and it was the Commission which proposed the five-year review of the photocopying provisions in Section 108 of the Copyright Law to allay the fears of some in the community about these provisions. The Commission's program document, published in 1974, first put together in a coherent fashion the things which have to be done to make substantial improvements in library and information services for the citizens of the country.

It was a Commission Task Force which developed the program adopted to preserve the essential activities of American National Standards Committee Z39. It was to the Commission that the communities turned for an objective study of library photocopying which has become the base line for measurement of the impact of the copyright law revisions.

Considering its infinitesmal budget, NCLIS has accomplished a great deal. One of our most effective mechanisms for getting the most out of our dollars is the task force. We invite the top people from each concerned constituency to participate in developing solutions to a problem. We pay no fees or honoraria, only travel and per diem at the standard government rates. The acceptance rate approaches 99%, and those who refuse do so only because they cannot devote the time required to do a good job. A recent very conservative calculation indicated that for every dollar we spend on task forces (mostly travel and per diem), the Federal government gets between three and four dollars of essentially free consulting from Task Force participants. If you are looking for cost effectiveness, I submit that this kind of return would be hard to beat.

A second method of operation is to make use of the multiplier effect. For example, we sponsored a series of management and planning seminars for the Chiefs of State Library Agencies and their senior staffs. A relatively small investment on our part provided these agencies with the knowledge and tools to improve their effectiveness in using, not only Federal funds, but state and local funds, as well. I have no way of estimating the savings from this effort, but I am sure it is substantial.

A third method we have used entails doing the ground work and getting an activity started and then backing off and letting the participants carry the activity forward on their own. Examples of this kind of activity are; the Continuing Library Education Network and Exchange (CLENE); and the recently initiated White House Conference on Library and Information Services Taskforce (whcLIST) on Implementation, also known as the Committee of 118.

In summary, I want to emphasize that the National Commission, as an independent Federal agency provides a locus and a means for accomplishing many significant activities in the library/information field which simply cannot be accomplished elsewhere or otherwise. Its value to the community and the Federal government far exceeds its very modest cost. I have worked with or for a number of Federal, state and local agencies over the last half century, and without casting any aspersions on the other agencies, I can tell you without hesitation or qualification that the National Commission is the most cost-effective agency I have ever encountered.

Finally, when you are considering our budget request, I would like you to think of what would happen if there were no National Commission on Libraries and Information Science. What would happen--what would have happened or failed to happen--if the Federal government did not have the objective advice of the Commission? What would happen to library and information services for our citizens if the community did not have the leadership of the National Commission or if they lacked a Federal presence and focal point for developing coherent positions? Secondly, when you undertake renewal and revision of library legislation, consider what would happen--or fail to happen--to library and information services for our citizens if there were no Federal involvement.

The Commission believes that the country is well served when the National Commission on Libraries and Information Science, a permanent and independent body, is able to present its carefully considered and informed views on library and information policy to both the President and the Congress as provided by Public Law 91-345.

Thank you for allowing a National Commissioner to testify. I am serving under my fifth President, not as a professional librarian, but as an interested citizen.

Thank you for this time, Mr. Chairman.

SUMMARY OF STATEMENT

Mr. BENTON. As you mentioned, I am Chairman of the National Commission on Libraries and Information Science. You will perhaps remember that the Commission is a permanent, independent agency established to advise the Congress and President on research and planning national policies for libraries and information science.

The Commission's original request for fiscal year 1982 was for an appropriation of $750,000. Since President Reagan's budget was announced yesterday, we are now requesting $702,000. Last year you may recall the Commission was responsible for planning and conducting the White House Conference on Library and Information Services, which was preceded by 56 State and territorial Governors' conferences. The national White House conference, with its over 1,000 elected delegates and alternates, and 2,500 official observers was one of the largest, and I might say, most successful White House conferences ever held in one location. It was organized around five major themes, each related to library and information services drawing on the user needs.

The 64 resolutions were in the first multimedia report to the President. A 14-member high-level interagency task force was established by the White House to consider the most effective means of implementing the resolutions, and develop the Presidential message to Congress with his recommendations for your consideration. A copy of the President's message to Congress was placed in the Congressional Record and a copy is attached to my statement. This happened last fall.

The first White House Conference on Library and Information Services was the result of a 22-year process actively involving four administrations in Washington, two Democratic and two Republican. The key point here is that this was really a bipartisan process that culminated in the conference which was held in November 1979 in Washington, D.C.

Two of the White House conference resolutions concern the establishment of an ad hoc committee on implementation of the White House conference resolutions and recommendations. Therefore, the Commission made the arrangements for the ad hoc committee to meet last September in conjunction with a Commission meeting.

Even though the participants, one public and one professional delegate elected from each State and territory, had to pay their own travel and hotel bills, there were 91 delegates present out of a possible 118. In fact, the committee decided to call itself informally the Committee of 118 and formally the White House Conference on Library and Information Services Task Force (WHCLIST).

The committee organized itself by electing a steering committee and officers. Interestingly, the steering committee balance consisted of two-thirds public and one-third professionally related, which is, as you will remember, the exact ratio of public to professionals in each of the State and territorial pre-White House conferences, and also at the national White House conference.

In other words, we were not simply having another library and information professional or trade association meeting such as the American Library Association, ASIS and other such groups. They do a very good job of that.

So this was really systematic involvement of the public in public policy formulation.

I will skip forward here. The Commission presently has four task forces of experts dealing with major areas of national concern relating to library and information services.

The first of these is the task force on public/private sector relations, and it is concentrating on the respective roles of Government and the private sector in the dissemination of scientific, technical, business, and other information.

I will say that of all the task forces and subgroups the Commission has created since I have been chairman, this is, I find, the most exciting one and one whose work product, I think, has potentially profound implications for the Commission in the field we serve and the Federal Government.

The Commission expects the final product to be of extraordinary value to the Federal Government, both the executive and legislative branches, in helping to achieve optimum balances between information activities undertaken by the Federal Government and those in the private sector.

[The information follows:]

The other three task forces are examining: Community information and referral services; library services for cultural minorities; and the role of the special library in nationwide networks and cooperative activities.

IMPACT OF COMMISSION

Senator SPECTER. Mr. Benton, what do you think the consequences would be for libraries if your Commission did not exist?

Mr. BENTON. Well, Mr. Chairman, ours is the only group that advises both the President and the Congress directly on research and planning and potential policy decisions affecting library and information services. Ours is a relatively small budget.

In addition to our advisory role to the Congress and the President, the Commission serves several other very important roles. One of these is to act as a catalyst. An example of this is the establishment of the continuing library education network and exchange—(CLENE). In response to an expressed need for continuing education from the community, NCLIS funded a modest study which provided the working document, and we helped the community organize the network. This group is now an independent entity, operating with our full moral support, but with no money from NCLIS. A second example grew out of the White House Conference on Library and Information Services. Two representatives from each State and territory met in Minneapolis in September 1980 to follow up on implementation of the resolutions. They have organized themselves as the White House Conference on Library and Information Services Task Force—WHCLIST. We provided facilitating services and some partial support for travel from the noncontiguous States and territories for their first meeting. They are now operating independently. A second role is that of providing a forum for discussion of issues. We are the only group that can bring together all of the library and information communities to discuss major issues of common concern. An example of this is the continuing conference on resolution of copyright issues, into which we brought the library community together with publishers and information people to discuss the photocopying provisions being considered for the 1976 revision of the Copyright Act. This forum laid the foundation for the compromise represented by the guidelines produced by the Commission on New Technological Uses of Copyrighted Works—CONTU. These CONTU guidelines were included in the conference report—No. 94–1733—on the revision. The third role is the function of honest broker. Since we have no vested interest in any particular institutions or functions, we are called on to identify issues and individuals to speak for the many different sides of the issues.

Senator SPECTER. What specific advice have you given to the President and the Congress in the last year?

Mr. BENTON. Among others, we have answered specific questions from Members of Congress and their staffs on topics ranging from identifying individuals experienced in searching computer files in the medical field to literature on architectural design and model programs for public libraries in cities. We provided input to the deliberations of the White House Interagency Task Force which developed the recommendations for the President's message to Congress transmitting the report of the White House conference, and we have been and are working with the Office of Management and Budget on the implementation of Public Law 96–511, the Paperwork Reduction Act.

We also submit an annual report, which you may have seen. This past year we have been focusing on the results of the White House conference and the following up of these 64 resolutions which I hope that you have seen.

WHITE HOUSE CONFERENCE RESOLUTIONS

Senator SPECTER. In your judgment, what is the most important of the resolutions?

Mr. BENTON. Sir, that is a very, very difficult question.

Senator SPECTER. Pick two, three, four, five.

Mr. BENTON. The Commission has not yet performed a priority ranking of the White House conference resolutions, but late in fiscal 1980, we assisted in the convening of the ad hoc committee, which became WHCLIST, in response to two resolutions—F–1, F–5—and our programs for fiscal 1981 and 1982 respond directly to various resolutions and, in one sense, one might say that these are the Commission's priority resolutions. Specifically, our activities leading toward the development of revised legislation for library and information services is in direct response to the resolution—B-2—calling for the enactment of a National Library and Information Services Act. Our work toward improving dissemination of Federal information responds to half a dozen resolutions—A-2, A-11, B-6, C-7, C-10, C-11—calling for more effective Federal programs. Similiarly, our efforts to improve resource sharing and the application of technology respond to no fewer than 12 resolutions—A-10, C-1 through C-6, C-8, C-9, C-12 through C-14. Our recently established task forces also respond to one or more resolutions. Specifically, the Task Force on the Role of the Special Library in Nationwide Networks and Cooperative Activities responds to resolution F-6, the Task Force on Library Services for Cultural Minorities responds to resolution D-4, and the Task Force on Community Information and Referral Services responds to resolutions A-3 and A-6.

COMMUNITY INFORMATION AND REFERRAL

Senator SPECTER. The Community Information and Referral Services Task Force.

Mr. BENTON. Yes; the whole idea here is to use the network of established institutions, which are the public libraries, that have been working for well over 100 years to deliver more effectively and efficiently information to citizens who need that information.

Senator SPECTER. How do libraries do that?

Mr. BENTON. Libraries use a variety of means to deliver information to citizens. While libraries have a tradition of being community information centers, in recent years, the functions of reference and question answering have been expanded considerably. In the past, the emphasis has been on assisting in providing access to information within the library's four walls. Libraries which have developed community information and referral services are not only tapping their own collections, but are providing citizens with information on where to find both resources available from other library's collections and other types of services as well. These services include assistance in obtaining social security payments or obtaining legal advice, and information on local community senior citizens groups. Many libraries have begun providing access to other types of information such as bus schedules and curtain times for theatrical productions. The new emphasis is on providing information for daily living through this expanded service, but libraries which have undertaken such efforts have generally found that the use of their traditional services has grown as a result of the enhanced awareness of the citizens.

Dr. Bearman, would you like to answer this question?

Dr. BEARMAN. Before we go on to new questions, Mr. Chairman, I would like to add a couple of points to what our Chairman has said in terms of the resolution and in terms of if we didn't exist, why would we need to exist.

There are four very important major functions that the Commission itself fills that no single library or single professional or trade assocation could fill.

We serve in an advisory role, as the resident expert for the entire library and information field to the President and Congress. Resident expert, role No. 1.

Role No. 2 is that of providing a forum for all concerned parties to come together to discuss major national issues. Role No. 3 is as a catalyst by providing background, and perhaps some seed money, to initiate a needed activity and then stepping back to let the operation proceed independently. Role No. 4 is the function of honest broker, since we have no vested interest in a particular institution or function.

RESIDENT EXPERT FUNCTION

Senator SPECTER. What do you do as the resident expert? How do you specify that?

Dr. BEARMAN. Specifically, for example, we have been working with the Office of Management and Budget as part of our work on the public/private sector relations task force on the implementation of the Paperwork Reduction Act. This act is basically an information policy act.

Some of the questions that are coming up: How does one identify within the Federal agencies who the information people should be? Should it be someone with experience in the data processing area? How does one find the key information person?

To identify how the informal communication network within any organization interacts with the formal communications network is not an easy task. There are several tasks identified within the Paperwork Reduction Act, and I personally am working with members of the staff of the Office of Management and Budget, on those tasks to help them implement that act. That is a short-term kind of role, but it will have very long-range implications.

Mr. BENTON. Dr. Bearman, if I may come in to supplement this point, which is an excellent point you are making, this goes back to the point about the public library as a vehicle for delivering Government information, among other kinds of information, to citizens at the local level. In other words—this is one of the things that we are working on with the OMB, in fact—why set up a number of separately funded Government information centers to distribute this Government information when there is an established institution at the community level which can help do this job?

LIBRARY DISSEMINATION OF INFORMATION

Senator SPECTER. The question in my mind on that, Mr. Benton, is what does the library do by way of disseminating information? I go to my experience in the city of Philadelphia which has a massive library system, a very good one, and a very important one, and then I think about the library in my hometown of Russell, Kans., which is a town of 5,000, a very different kind of library, and also a fine library. But I simply don't understand how the library disseminates information to the citizenry. We get it from the Russell Record, from the Philadelphia Inquirer in Philadelphia. So I just don't understand what you're saying in terms of dissemination of public information by the library.

Dr. BEARMAN. Mr. Chairman, let me answer that for you. As you know, the Federal Government disseminates and produces a lot of information. One of the purposes of the Paperwork Reduction Act is to help the Government take a look, first of all, at the information it is gathering to make sure that it is not sending 10 questionnaires out to the same people asking the same questions. But also to help improve the way they send out their information.

A specific example is the Government Printing Office. There are depository libraries around the country set up in each congressional district. There are 50 regional depository libraries. There are, in addition, something like 1,300 depository libraries to provide copies of documents that are published by the Federal Government.

Many of these are located within public libraries. Many of them, unfortunately, are not.

The General Services Administration has a totally separate and independent network of Federal information centers. There is one in Philadelphia, as a matter of fact, that I will be visiting on April 17.

In many locations, these are not coordinated. In one city, not in Philadelphia, but in other cities, you may have a large public library or a small local public library, a Federal information center and a depository library all doing their own thing, duplicating effort, and in many cases, I'm afraid, wasting money.

The Federal documents have been distributed without particular regard for the needs and desires of the people who are receiving them. Are these the documents you wish to receive? Are printed copies the form in which you wish to receive them? What are you doing with the documents once you get them?

The Denver Public Library at this point employs 11 people to handle the Federal documents that come in to their library. No Federal money is provided for managing the document collection. The documents come in every single day in cartons. The libraries do not have the space to handle the large numbers of printed documents. They are paying out of their local public library budget; 85 percent of which is supported by the State and local governments, for the staffing of 11 people to handle these documents.

The documents librarians have said we don't want the paper copies. We cannot afford to house them and to maintain them and to catalog them. We would prefer, in many cases, microforms.

Senator SPECTER. Why are they sent? You mentioned Denver.

Dr. BEARMAN. Yes, sir.

Senator SPECTER. Do the people in Denver want to read those documents?

Dr. BEARMAN. Some people do. But I'm afraid many people don't even know they exist.

Senator SPECTER. Those aren't the ones that want to read them then.

Dr. BEARMAN. I'm sorry, Mr. Chairman, but I'm afraid there may well be people who want to read them who don't know that there is information available free from the Federal Government; that it is right down the street in their public library. They may very well want to know about nutrition programs so they can better feed their families, but they don't know those documents exist. I wish they did. And that is one of the specific things that I personally am working on with the Government Printing Office.

There is a very capable man at GPO by the name of Jay Young who has been there just a short time and who is concerned about ways of improving the information GPO is disseminating and how they are disseminating it; teaching young librarians how to publicize what's there.

DENVER EXPERIENCE

Senator SPECTER. What has occurred in your Denver experience? Is the library receiving and accepting these documents?

Dr. BEARMAN. Yes, they are. They have started to give information back to the Government Printing Office, specifically to say we don't want everything in printed form. We would like much of it in microform. We also would like some help in terms of disseminating this and publicizing it.

Why should each of these 50 Federal regional centers come up with their own brochures, their own information publicizing exactly the same documents?

For the first time there will be a meeting of all the depository librarians with the General Services Administration, people responsible for the Federal information center program, in San Antonio, Tex., April 14 and 15. I have been invited to go meet with them, at the invitation of Jay Young, to talk with them about how they can better publicize what they are doing, how they can better get the information back to the Federal Government, which I'm afraid too many of our citizens feel is an impenetrable monolithic structure.

The depository librarians are learning that there are individuals out there who do care. We hope they are going to teach the depository librarians at the 2-day conference how to publicize the resources they have available. Many people know that you write to Pueblo, Colo., to get Federal information. What many people don't know is that the same information for which you are writing to Pueblo, Colo., is available down the street in your local public library.

We are trying to facilitate better coordination between the Federal agencies and the existing local community information centers.

Mr. BENTON. If I may come back to your basic question, which is, what advice have you given the Government recently? As you are probably aware, the Office of Management and Budget has been struggling now for some time with a circular on the management and dissemination of Government information. We have been specifically working with them in trying to improve and to make that circular more responsive and more effective so it will be a more effective working document for all Federal agencies.

Here is a very specific bit of advice that we have been working on with the OMB in this whole problem of management and dissemination of information.

IMPACT OF REDUCTIONS

Senator SPECTER. How badly, if at all, has the reduction of $750,000 to $702,000 hurt your agency?

Mr. BENTON. Well, the cuts have been primarily in travel costs, personnel costs and—Dr. Bearman, you may wish to deal with the specific aspects of that question.

Dr. BEARMAN. Well, our large staff of nine people has remained the same for 4 years and will continue to remain the same in fiscal year 1982. We also have full-time equivalents, for the work of our Commissioners. We have 15 Commissioners from all around the country with very different levels of expertise. One-third of our Commissioners are professional librarians or information specialists. The other two-thirds are people who have special competence or interest in the needs of our society for library and information services.

This will mean we will have to cut back on the time they can work on Commission business.

Senator SPECTER. I don't follow that. Are those unpaid volunteers?

Dr. BEARMAN. No; by law, they receive an honorarium, which is not the maximum allowable by law. They receive approximately $184 a day for the time that they work on Commission activities. I should say they may receive that. Some of them do not claim it although many of them put in as much as 50 percent of their time and claim only 2 or 3 days a month for the work that they are doing.

We will be cutting back on their travel, and also on staff travel, by approximately 30 percent in 1982.

CONSULTATION WITH OMB

Senator SPECTER. What consultation did you have with OMB prior to the cut from $750,000 to $702,000? Stated differently, how much was their idea as opposed to your idea?

Dr. BEARMAN. Those cuts were specifically the cuts that were applied across the board to all Federal agencies in travel budgets and in the formula OMB used for staff cuts.

Senator SPECTER. Travel and what?

Dr. BEARMAN. There is a particular formula that OMB applied to all staff in all agencies from fiscal year 1982 forward. So there was not really a consultation, Mr. Chairman. We received those cuts. We were told about them.

Senator SPECTER. Did they come to you and ask you if you could accommodate any cuts and still do a reasonably good job?

Dr. BEARMAN. They told us that we could appeal if we wished to.

Senator SPECTER. My question goes to the prior consultation. Just as a matter of procedure, at least by OMB, did they come in and say you've had a lot of experience running this National Commission on Libraries and Information Science and we would like to make some savings? And we think the best person to ask about potential savings would be you because you're in the field. Did they come and say anything like that to you?

Dr. BEARMAN. No, sir.

Mr. BENTON. Mr. Chairman, the answer is, "no." But in our original submission, because of the investment of Federal dollars, over $4 million, from State and local moneys and in excess of $3 million of Federal money—so we have somewhere between $7 and $8 million spent on the White House conference process. We had originally put in a budget that is twice what we are now looking at, it was for $1,500,000. We have negotiated with the OMB and have been really cut down to essentially what was our budget last year mainly because our authorizing legislation cites $750,000 of 1970 dollars which is the equivalent of more than $1½ million 1981 dollars. There has been a lot of negotiation and a lot of discussion and a lot of back and forth from the standpoint of having submitted a much higher original request down to where we are now.

ORIGINAL BUDGET REQUEST

Senator SPECTER. Was the level that you originally submitted the $750,000 budget?

Mr. BENTON. It was originally twice that.

Senator SPECTER. It was originally——

Mr. BENTON. $1,500,000.

Senator SPECTER. Where did the $750,000 come from?

Mr. BENTON. That was the figure in the Carter fiscal year 1982 budget for NCLIS.

Senator SPECTER. You wound up with $702,000. The Carter administration cut you in half and the Reagan administration only cut you 6 percent.

Mr. BENTON. That is correct, Mr. Chairman, but I believe the Carter cut in our original request is due to the ceiling in our authorizing legislation.

Senator SPECTER. So there was consultation with the Carter administration in moving from $1.5 million to $750,000.

Mr. BENTON. Yes, sir.

Senator SPECTER. But on the movement from $750,000 to $702,000, it was not as a result of consultation.

Mr. BENTON. We are dealing with the exact same people at OMB.

Senator SPECTER. But if you would permit me to finish my question, it was the result not of consultation but as the result of a formula applied on travel and personnel slots.

Mr. BENTON. That's correct, yes, sir; applied to all agencies.

Senator SPECTER. Had they come to you and said we would like to cut your budget, can you tell us ways that you could perform your services approximately as efficiently with somewhat less money, would you have had a constructive response for them?

Mr. BENTON. We always try to be constructive, Mr. Chairman, and deal with the resources at hand as best we possibly can. We have a relatively small staff. The Commission process is very interesting. The average annual remuneration for the Commissioners on the Commission is approximately $3,000 per year per Commissioner. We have people such as Frank Keppel, a former commissioner of education and chief executive officer of the General Learning Corp., a Time and GE subsidiary, Gordon Ambach who is the commissioner of education of the State of New York, running a $4 billion budget, who are in effect giving their time to the Federal Government through NCLIS.

Some of these people, by the way, waive their honoraria. It is a very cost effective mechanism if you have the right leadership, and we feel that we have really delivered a great deal for the money that has been made available.

COMMISSION HELD IN HIGH ESTEEM

Senator SPECTER. It sounds as *if you* have a Commission which is held in very high esteem by a lot of people in your profession. That's what accounts for the volunteer time which you have had.

Mr. BENTON. Thank you, sir. I think that is true.

Dr. BEARMAN. Mr. Specter, may I just please respond.

We have already cut our budget, is the response I would give. We have cut our travel for staff and Commissioners by 30 percent this year. Our staffing has remained the same for 4 years. We have absorbed increases in air fares, rent, all of the other things. You know what the inflation figures are as well as I do. By maintaining basically the same budget each year and actually cutting our travel budget, we have made cuts.

RELATIONS WITH OMB

Senator SPECTER. Were you unable to lobby with OMB, even given the close contacts that you've had and the services that you were providing to them that you testified to a few moments ago?

Mr. BENTON. I think it is fair to say we have good relations with the OMB and are able to put our case forward in a reasonable way. I think it's been a fairly responsive process.

Senator SPECTER. Do you think it helped somewhat in the final figure that you got?

Mr. BENTON. Yes, sir.

Dr. BEARMAN. We should point out again that we had a ceiling in our authorization of $750,000 which would require a technical amendment to go over the $750,000. It is a more complicated process than just asking for the $1.5 million we originally asked for.

SUBMITTED QUESTIONS

Senator SPECTER. We have quite a number of questions which we will submit to you for written answers. You'll be provided with a copy of the transcript and a period of time of 15 days to make any corrections that you wish to in the transcribed testimony.

I'm sorry we can't take longer, but it's been very informative to have your testimony here.

Mr. BENTON. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TELECOMMUNICATIONS IN LIEU OF TRAVEL

> A great deal of information now obtained by travel could be obtained more cheaply through other means. Has the Commission done any feasibility studies on moving information instead of people by using video and audio cassettes and telecommunications in a network environment among Federal agencies, for the purpose of training, technical assistance, and regional conferences?

Mr. Benton. We have not done any studies of that sort, but we are beginning to apply the new technologies to our own operations so that we will become a model for Federal agencies as well as others. We now have a computer terminal and are beginning to take the first steps toward moving information instead of people. We hope, in the future, to be able to use teleconferencing and computer conferencing to accomplish many things that are now being done by bringing people together.

OFFICE OF LIBRARY AND INFORMATION SERVICES

> Currently, the Office of Libraries and Learning Technologies occupies a somewhat undefined place within the Department of Education framework. What recommendations do you have as to the placement of the Office of Libraries and Learning Technologies within the Department of Education? Have you abandoned efforts to achieve appointment of an Assistant Secretary for Library and Information Services in the Department of Education?

Mr. Benton. No, sir, we have not abandoned our hopes of getting an Assistant Secretary for Library and Information Services appointed in the Department of Education. It is in the National interest to have the person responsible for library and information service programs at a sufficiently high level so that recommendations from that office will be heeded by other government agencies and by the library and information community, and we believe that the minimum level which will gain the required attention is that of Assistant Secretary. It should be pointed out that over 50% of the dollars in the budget of the Assistant Secretary for Research and Improvement is in the programs of the Office of Libraries and Learning Technologies, so that is where the emphasis belongs and that is where the authority should be.

COOPERATION WITH OTHER GOVERNMENT AGENCIES

> To what extent is the National Commission on Libraries and Information Science able to work closely with the Office of Libraries and Learning Technologies (OLLT) in the Department of Education and maintain relative independence from political and budgetary decisions?

Mr. Benton. Our independence is not relative, it is complete. Because the Congress established the Commission as an independent, permanent agency in the Executive Branch in Public Lw 91-345, we are not constrained by departmental or administration positions. We make recommendations to other Federal, State and local agencies, to the Congress and to the President on the basis of our best judgement of what is best for the Nation as a whole, not on any "party line." Further, NCLIS is primarily concerned with developing and making recommendations in the area of policy, while OLLT is primarily concerned with programs, and grants so there may occasionally be disagreement, but there is no conflict.

To what extent is the Commission working with other Federal agencies, such as the General Accounting Office (GAO) and the Government Printing Office (GPO) to improve the dissemination of Federal information?

Mr. Benton. We are working with these agencies and others to a very great extent. Specifically, our Executive Director, Dr. Bearman has met with personnel from the General Services Administration (GSA) and GPO to discuss means of improving dissemination of Federal information. Further, she will be participating in the meeting next month of the Depository Library Council. At our suggestion, for the first time, personnel from the office in the General Services administration responsible for the Federal Information Center program will be attending that meeting, as will personnel from the Office of Management and Budget (OMB). We are working with OMB on the implementation of the Paperwork Reduction Act (P.L. 96-511) and on refining a proposed circular on the dissemination of Federal information. Among the agencies we are also working with are such disparate agencies as the Postal Service, the National Technical Information Service and the Departments of Energy and Agriculture. The Department of Agriculture through its Science and Education Administration (SEA) has been particularly supportive of the Commission because of its historical committment to information dissemination and diffusion.

FUNCTIONAL ILLITERACY

What is the specific role of the Commission in the battle against functional illiteracy?

Mr. Benton. We have had and will have several roles. Early in my chairmanship, I suggested that a theme conference on literacy be held in preparation for the White House Conference. This theme conference on "Libraries and Literacy" provided input for the White House Conference and a major resolution of the White House Conference called for increased effort in combatting illiteracy. The white house conference on Library and Information Services Taskforce (whcLIST) has asked NCLIS to pursue the matter and assist in developing recommendations as to the next steps. Independent of this, NCLIS is now in the process of formulating a pilot project to involve publishers, libraries and volunteers--perhaps, senior citizens--in a program to help citizens achieve functional literacy in the library environment. One of the points which makes this approach attractive was stated by one of the participants in our theme conference. The statement was, "Libraries don't give grades." This perceptive comment points up the fact that in the library environment, the threat of failure--which could deter adults from participating--does not exist.

BUDGET REQUEST

The Commission's budget over a period of ten years remains modest. Will the budget request for Fiscal 1982 be sufficient to carry out all of your activities which include several task forces, intergovernmental cooperation and follow-up on the recommendations of the White House Conference on Library and Information Services?

Mr. Benton. No sir, not by a very large margin. We submitted to OMB a request for more than twice the current budget request and for twice the number of personnel we now have. With these additional resources, we could have extended our efforts to provide planning and policy guidance to the dozens of Federal government agencies involved in the dissemination of Federal information for the purpose of improving their effectiveness and efficiency and minimizing duplication. We could have undertaken major efforts to coordinate Federal government programs to combat illiteracy and provide better service to citizens disadvantaged in their access to information by other handicaps, whether physical, cultural or geographical. We also could have exerted greater effort to ensure the most appropriate use of the new technologies in communicating information to users. With the budget now requested, we will do what we can, which will be far less than needs to be done.

PUBLIC/PRIVATE SECTOR TASK FORCE

> One of the task forces within the Commission's jurisdiction is the Task Force on Improving Public/Private Sector Relations. What priority issues are being considered by this Task Force?

Mr. Benton. The purpose of the Task Force is to find ways to determine the appropriate roles of the public and private sectors in disseminating government information, thereby improving the use of government funds in the dissemination of government information and minimizing the conflict between the sectors. They have developed a set of principles on which there is virtually unanimous agreement, and I will list them for you, but first, I must say that I found the process by which these principles were developed absolutely fascinating. I have attended most of the meetings of the Task Force and watching this group of twenty-one highly qualified people with widely disparate backgrounds and interests work toward consensus has been an enlightening experience. The principles they have developed are these:

Principle 1. The Federal government should take a leadership role in creating a framework that would facilitate the development and foster the use of information products and services.

Principle 2. The Federal government should establish and enforce policies and procedures that encourage, and do not discourage, investment by the private sector in the development and use of information products and services.

Principle 3. The Federal government should not provide information products and services in commerce except when there are compelling reasons to do so, and then only when it protects the private sector's every opportunity to assume the function(s) commercially.

Principle 4. When government agencies use, reproduce, or distribute information available from the private sector as part of an information resource, product, or service, they must assure that the property rights of the private sector sources are adequately protected.

Principle 5. The Federal government should make governmentally distributable information openly available in readily reproducible form, without any constraints on subsequent use.

Principle 6. The pricing policies of the Federal government for distributing an information product or service should reflect the true cost of access and/or reproduction and be subject to review by an independent authority.

Principle 7. The Federal government should actively use the libraries of the country as a primary means for making government generated information available to the public.

When will a Public/Private Sector Task Force report be issued?

Mr. Benton. The Public/Private Sector Task Force expects to present its final report to the Commission at its June meeting. I would expect that the report will be published in late Summer or early Fall.

Is the Public/Private Sector Task Force exploring ways to generate non-Federal support for libraries and information sciences in times of Federal budgetary constraints?

Mr. Benton. In the sense that making better use of the private sector to disseminate Federal information which will ease budgetary pressures, yes, they are. However, I want to point out that when all Federal library programs are looked at together, most of the money is spent for materials, media, and equipment, which means that it is spent in the private sector, providing jobs and creating tax revenues. This fits, I believe, the pattern of supply side economics. In addition, another of our task forces, which is jointly sponsored by the Commission and the Special Libraries Association, is examining the role of special libraries in nationwide networks and cooperative programs. Many of these special libraries, particularly those in "for profit" organizations have unique resources which would be of great value if they were more widely known and more readily available. If ways can be found to reduce or eliminate the barriers which have discouraged their participation in cooperative endeavors, these valuable resources assembled with private funds can become an integral part of our national knowledge and information resource.

RECOMMENDATIONS TO CONGRESS

What new recommendations are you making to the Congress with regard to the reauthorization of the Library Services and Construction Act, which expires in fiscal 1982?

Mr. Benton. In the first place, the Summary Report of the White House Conference on Library and Information Services includes two sections relating to national library and information services legislation. The first of these, entitled "Elements of a Comprehensive National Library and Information Services Program," identified the various elements required of such a program, relating these elements to specified resolutions of the White House Conference. The second section, entitled "The Proposed National Library and Information Services Act," was a legislative outline, bringing together these elements in a format appropriate for consideration as a single piece of legislation to replace the Library Services and Construction Act. This proposal included five titles, as follows:

Title I Improved Access to Library and Information Resources

Through Interlibrary Cooperation and Network Support

Title II	Public Library Services
Title III	Statewide Leadership in Development of Public Services
Title IV	Library and Information Services to Indians On or Near Reservations
Title V	Education, Research and Development and National Clearinghouse

In addition to this, Senator Robert Stafford and Refpresentative Paul Simon have asked the Congressional Research Service (CRS) to prepare a comprehensive analysis of all library legislation to provide a means of looking at individual pieces of library legislation in the context of the whole, so that the various elements of new legislation can be developed in a coherent fashion. They have asked NCLIS to work with CRS on this analysis. We have already provided CRS with a beginning analysis prepared under the direction of NCLIS Commissioner Gordon Ambach last year for the first meeting of the white house conference on Library and Information Services Taskforce (whcLIST), and we will be working with CRS throughout the process. When this analysis is completed and we have had an opportunity to review it, we will undoubtedly have further recommendations.

TRAVEL

> Last Fall, legislation was passed requiring the General Services Administration to make an agency-by agency analysis of travel by government employees. A partial report recently revealed that government travel spending runs about $3 billion a year. How many annual trips per capita are made per year by the Commission employees and Commissioners?

Mr. Benton. Based on year-to-date figures for FY 1981, we expect that trips by Commissioners and staff, which are paid for by the Federal government, will average between five and six per person. This figure does not include many trips by Commissioners and staff which are paid for by organizations inviting them to speak, or, in the case of Commissioners, trips, which they donate to the Federal government by not submitting vouchers for reimbursement.

> How does the Commission's average length of trip, in days, compare to the government-wide average of 8.8?

Mr. Benton. Quite favorably, I would say. For Commissioners and staff, the average is only a shade over three days, 3.02 to be exact. Even if you include task force members, the average is only 3.1.

> What is the average cost of trips made by Commission employees and Commissioners?

Mr. Benton. That figure is $342 per trip for all trips made by Commissioners and staff. This includes travel and per diem which, as you know, seldom fully covers actual costs of hotels, meals and transportation so our Commissioners and staff end up paying a fair amount out of their own pockets.

What is the actual average cost per trip? The government-wide average is $176.

Mr. Benton. The actual cost per trip, based on FY 1981 to date, is the figure I just gave you, $342. However, I suspect that you mean cost per day for travel, since the $176 figure you cite would not cover the per diem alone for an eight-day trip (cited earlier as the government-wide average), which would amount to $200 even at $25 per day. For the Commissioners and staff, the cost per day while on travel averages $113, which compares very favorably with the $176 figure.

What percentage of your travel accounts for: operational or managerial activities; travel for training; informational meetings; conferences; speeches or presentation; special mission travel; relocation of employees; unknown reasons (blanket authority to employees)?

Mr. Benton. It would be difficult to give you specific percentages, but I can tell you this. For Commissioners, the overwhelming majority of their travel is for Commission meetings, which we assume would fall into your operational or managerial activities category. Commissioners have some travel for participation in task force meetings, which we would call special mission travel. The Chairman and Vice Chairman, of course have some additional travel for Congressional and Office of Management and Budget hearings. Staff travel also is mostly for Commission meetings, with a small amount of travel for training and conferences and an even smaller amount for task forces, since most of those meetings are held in Washington. Task force members' travel is exclusively for participation in task force meetings or reports by the task force chairmen at Commission meetings. We do not pay an honorarium or consultant fee for their services. By doing this we get the equivalent of $4.00 in consulting services for each Federal dollar spent. Travel for speeches or presentations is almost always paid for by the organization issuing the invitation. This year, we did have some relocation travel as a result of bringing aboard our new Executive Director, but that is unusual, since we have a small staff and low turnover. I don't know of any instances of travel for informational meetings, and there is positively no travel for unknown reasons. Each trip is authorized only for a specific purpose.

Can you prepare for the record a tabulation of travel expenses for all recipients of Commission grants and contracts?

Mr. Benton. That will be very simple, since the Commission has awarded no contracts in FY 1980 or FY 1981, nor do we contemplate any for the rest of FY 1981. The answer is, of course, there is no contract travel.

CONTRACTS

How much of your contract costs were spent in the last month of Fiscal 1980? Why? How much of it was awarded for non-competitive contracts?

Mr. Benton. We did not award any contracts in Fiscal 1980.

How do you define competitive and noncompetitive awards?

Mr. Benton. A competitive award is made to the successful bidder in response to a Request For Proposal (RFP) we have issued and advertised. A noncompetitive award would be one made without going through the RFP process.

> Are there ever instances where only one application was received and you still considered the award to be competitive?

Mr. Benton. Staff tells me that there has never been a case where we used the RFP procedure and received only one application.

REAGAN REVISIONS

> What are the changes between your original Fiscal 1982 budget request and your revised request under the Reagan Administration?

Mr. Benton. Our original request in the Carter budget was for $750,000, under the Reagan Administration, the request is for $702,000, a reduction of $48,000 or 6.4%. The reductions were, specifically: $32,000 in Positions Other Than Permanent; $2,000 in the associated benefits; $10,000 in Travel; and $4,000 in Other Services.

LIBRARIES AND TELEVISION

> In last year's hearing, Senator Schmitt, who you know is now Chairman of this Subcommittee, was particularly interested in the relationship between the National Commission on Libraries and Information Science and the Corporation for Public Broadcasting. At that time, you indicated that there was growing cooperation between libraries and public television, but that more could be done. To what extent has cooperation between the Commission and the Corporation for Public Broadcasting improved?

Mr. Benton. As I pointed out last year, a number of projects involving cooperation between libraries and public television surfaced in just a few hours of discussion between staff members of the two organizations. The communication has moved to a higher level. I have met with Robben W. Fleming, the President of the Corporation for Public Broadcasting (CPB) to discuss next steps. In the next week or so, members of our staff will be meeting again with CBP personnel to finalize arrangements for demonstrations of cable and low power television systems at the Commission's June meeting in Atlanta. These technologies are both community oriented systems and receivers are located in local libraries to provide equal opportunity of access for citizens who cannot afford the fees and other costs associated with receiving these services in their homes.

> Specifically, how can television be used to expand library services and materials in times when Federal, state and local library funding may be limited?

Mr. Benton. There are a great many ways in which television can be used to enhance library and information services. In the case of cable TV, the Quge experiment in Columbus, Ohio, has a book review program which allowes subscribers to check out books from the library by simply pressing buttons on their home cable TV control box. Also, there have been several test projects where cable TV subscribers have been able to pose reference questions and have them answered by the local library via two-way cable communications. In broadcast TV, the prime example is probably the "Read More About It" joint venture between the Library of Congress and the Columbia Broadcasting System, under which selected programs are followed by an announcement suggesting books which provide additional information and referring viewers to their local library for these and other related information. This experiment has definitely increased library usage and has raised public awareness of libraries.

FEDERAL FUNDING FOR LIBRARIES

> The National Commission on Libraries and Information Science has been a part of Federal library policies in the decade since its establishment. In those ten years, the Commission has advocated a definite, although limited, Federal role in library and information services. In your opinion, what would be the effect of eliminating earmarked library programs within the Federal budget should these programs be consolidated with others in a block grant proposal?

Mr. Benton. President Reagan's proposed budget for FY 1982 recommends that the school library resources and instructional materials program (ESEA IV-B) be consolidated into a state block grant with a 25 percent appropriations cut. It is the opinion of the National Commission on Libraries and Information Science (NCLIS) that not only would the budget cut be detrimental but that submerging this program in a block grant will greatly diminish the effectiveness of the successful and efficient school library program.

Research indicated that how 90 per cent of the time spent between teachers and students in the classroom is determined by the instructional materials available. Library resources are an absolute backbone of these materials. Therefore, between one and two per cent of the school budget is determining how 90 per cent of instructional time is spent. Library resources are essential to the total school program.

The maintenance of effort requirement of state and local governments has provided a powerful stimulus and incentive for local and state library expenditures in the past and would be a damaging loss if omitted through block grants. Federal funds should not be a substitute for state funds but should be used to supplement state funds. These supplemental funds should be used for: research and development; as seed money for innovative uses of instructional materials; for projects that would not normally be undertaken; and for other innovative programs to improve services. It should be remembered that states are required to provide matching funds in order to get most Federal funds, thus making even more efficient and effective use of Federal dollars. If funds are consolidated into a block grant, it is inevitable that a major degree of accountability and the ability to evaluate program results are lost.

The White House Conference on Library and Information Services held in 1979, strongly recommended that Congress set guidelines for the establishment of a school library in every school and fund at authorized levels those programs which support improved school and public library services. The National Center for Education Statistics estimates that 15 per cent of our nation's schools still do not have even the beginning of a library/media center.

Past experience with the consolidation of the school library and instructional resources program with guidance, counseling and testing activities in Title IV of the Education Amendments of 1974 would be a useful guide to Congress. The testimony of librarians, guidance counselors and others during Congressional hearings in 1977 on Title IV Consolidated Program of the Elementary and Secondary Education Act (ESEA) confirmed that consolidation, when funds could be used at the discretion of local school districts, resulted in intense competition for funds among all of the program purposes and created administrative complexities. To remedy these problems of colsolidation, Congress established a separate title IV-B to authorize funds for local educational agencies to buy library books, instructional materials and equipment.

A study, Program Consolidation and the State Role in ESEA Title IV, prepared by the Rand Corporation and published in April 1980, concludes that the majority of eligible nonpublic schools receive IV-B services and find them useful. The U.S. Department of Education points out that private school participation in ESEA IV-B runs over 96 per cent, higher than any other education program. The proposed cuts would result in a immediate drop in this rate of participation since the amount going to each would be so low that many non-public schools would no longer join the program.

> Are you convinced that strong library programs would not be treated as a high priority by state and local governments?

Mr. Benton. I am quite thoroughly convinced of that. Although they offer essential community services, libraries often have a difficult time when they compete for state and local funds along with other essential services like police and fire protection, solid waste management and highway maintenance. When public libraries were one of the eight priorities specified to receive funds under the General Revenue Sharing Act, they still received less than 2 percent of the money received by the states. Needs are so great and inflation so high, that even with the best of good will and intentions, rising costs make the situation critical. Public Libraries often have limited means of finding money; their income is usually based largely on the local property tax. An increasing number of states, California and Massachusetts for example, have caps on State and local expenditures. Greater demands are placed on ever scarcer resources. Cutting back on the essential services and necessary programs that libraries offer is not the way to balance the budget. An informed and intelligent work force will raise productivity and help to balance the budget through the contribution of their tax dollars.

> In your prepared statement, you expressed concern that school administrators are tempted to divert library funds to other uses. On what do you base your conclusion?

Mr. Benton. Mostly on what has happened in the past. Whenever there is a choice between providing library funds and, for example, providing funds for increasing teacher salaries, the library comes out on the short end. As Mrs. Moore pointed out in her statement, when there was a budget crunch at an Arkansas university, the funds for the library were the first to be cut. Nor is this confined to schools and the higher education community, I could cite the case of an information company which when it had to retrench, cut out its library. There are many other examples of this in every community.

> You also indicated that less than 2% of Federal revenue sharing funds went to libraries and that most of that replaced, rather than supplemented, locally generated funds. Will you provide for the record a summary of the recent study from which you cite this conclusion?

Mr. Benton. That study was performed for us some years ago, based on the first two-and-a-half years revenue sharing Actual Use Data. At the time my statement was prepared, that early study was the only information we had. However, within the last week, a doctoral dissertation submitted by Frank William Goudy to the School of Library and Information Science Management of the University of Southern California in December 1980 and covering five years of Federal revenue sharing has come to our attention. Dr. Goudy's work indicates that the picture is not quite as bleak as the earlier study indicated. The figure of less than 2% is correct, Dr. Goudy's figure is 1.24%. However, I should have said "much" not "most" of the money from revenue sharing is replacement money. Depending upon the method of analysis and the assumptions, the figure for the proportion of revenue sharing money which is used as replacement for state and local money varies between 35% and 50%. Dr. Goudy's figures in the attached table do show quite clearly that, at least initially, the availability of general revenue sharing funds arrested the decline in library expenditures as a per cent of total state and local expenditures. You should note, however, that this arrest occurred only during the years when libraries were listed as a priority item for the use of revenue sharing funds. When libraries were removed from the list of priority items, the decline in the amount of revenue sharing money allocated to libraries resumed immediately. Further, if inflation is taken into account, the apparent increase of 120% in library funding turns out to be an increase of only 26% in constant dollars. Since after its removal as a priority item, library funding from general revenue sharing was removed from the list of items to be reported in Actual Use Data, there are no figures for 1978 and 1979 from which to determine whether this trend continued. At the request of NCLIS and the American Library Association, library funding was restored to the Actual Use Data list in 1980, but the General Revenue Sharing Office has not yet assembled and anlyzed the data received. It will be interesting to see what the figures show now. Personally, I will be very surprised if the decline has not continued.

From "An Analysis of the Fiscal Impact of General Revenue Sharing Funds on Public Libraries" January 1981. Doctoral Dissertation presented to the School of Library and Information Science Management, University of Southern California, by Frank William Goudy

TOTAL GOVERNMENT GENERAL EXPENDITURES AND PUBLIC LIBRARY EXPENDITURES. STATE AND LOCAL UNITS OF GOVERNMENT, FISCAL YEARS 1973-1977

(In Millions of Dollars)

Fiscal Year	Total State & Local General Expenditures	State & Local Public Library Expenditures	Library Expenditures as Percent of Total Local Expenditures
1977	$273,002	$1259	.461%
1976	255,551	1249	.489
1975	229,474	1119	.488
1974	198,618	968	.487
1973	181,086	877	.484
1972	166,873	814	.488
1971	150,674	761	.505
1970	131,332	700	.533
1969	116,727	634	.543
1968	102,411	573	.560

SOURCE: U.S. Department of Commerce, Bureau of the Census, Governmental Finances In 1969-70 (Washington, D.C.: Government Printing Office, 1971), p. 19. Also used the volumes for 1973-74, p. 19; and 1976-77, p. 17.

PRESIDENT'S COMMISSION ON ETHICAL PROBLEMS IN MEDICINE

STATEMENT OF MORRIS B. ABRAM, CHAIRMAN

ACCOMPANIED BY ALEXANDER M. CAPRON, EXECUTIVE DIRECTOR

SUBCOMMITTEE PROCEDURE

Senator SPECTER. Now we will proceed with the testimony of Chairman Morris Abram of the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research.

Mr. ABRAM. Mr. Chairman, I would like to introduce Mr. Alexander Capron, who is Director of the Commission and who is a professor of law in his other life at the University of Pennsylvania Law School.

Senator SPECTER. We are well represented by Philadelphians here today.

Mr. ABRAM. Absolutely, sir.

PREPARED STATEMENT

Senator SPECTER. Our practice, Mr. Abram, as you know, is to accept your written statement. It will be reprinted in full in the record. We ask you to summarize your statement so that we might have as much time as possible for questions.

[The statement follows:]

STATEMENT OF MORRIS B. ABRAM

Mr. Chairman and Members of the Subcommittee: I am Morris B. Abram, Chairman of the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research. I am accompanied today by Alexander Capron, the Commission's director. We appreciate this opportunity to testify on behalf on the appropriation for the President's Commission. We are at work on some of the "hard choices" that confront society regarding medical care and research. These problems are not easily solved and may never permit full public agreement. But it is important that they be addressed. We hope that the outcomes of our deliberations--in a nonpolitical and reflective setting--will be valuable to those who will have to justify and explain the difficult decisions that must be made.

THE PROBLEMS

The problems confronting society when Congress created this Commission by Public Law 95-622 are similar to those we face today.

- Health costs continue to rise--to a point where they consume more than 9% of GNP--though not everyone has adequate care.
- The relationships of physicians and other health professionals with their patients engenders frustration as often as communication. For many people, medical care is increasingly routinized. Moreover, modern medicine often involves complexities that are hard to make clear to lay people--though a failure to do so can breed distrust and disappointment. And physicians, wary of malpractice, engage in "defensive medicine"--creating unnecessary costs and risks.
- Burgeoning biomedical technology is a double-edged sword, confronting us with new problems even as it provides answers to old ones. Indeed, developments in the life sciences may rival the industrial revolution in their rapid transformation of society.
- These advances will affect--are already changing--the way we are born, the way we die, and the time in between. Birth, illness and death are among the fundamental experiences of life. Any technology which impinges on these addresses

the central values of our society. The biomedical enterprise is not value-free.

We have come to see that "facts" and "values" cannot readily be separated in biomedicine, so we ought as a society to study the ethical as well as the scientific. The creation of new powers through scientific research and the expenditure of hundreds of billions of dollars on health care make it urgent to engage in reflection on the values which should guide the use of those powers. Thus, Congress mandated a critical examination of the ethical aspects of biomedicine in hopes of ensuring that the potential human benefits of the biomedical revolution will be realized.

The Commission's attention, unlike that of other governmental bodies, is not focused on the merits of legislative proposals for health planning, PSRO's or hospital cost containment but on more basic issues. Because the first step toward a satisfactory resolution of the ethical issues is factual understanding, we analyze existing data through consultation with experts in and outside government. We hear testimony from the public and solicit the views of interested parties. Press coverage transmits the ongoing debate to the public, which in turn leads to further expression of opinion and fact for our deliberation.

BUDGET

Before describing our program, I would like to say a few words about our budget. First and foremost, the figures before you cover 15 rather than 12 months, which will carry the Commission through its statutory termination on December 31, 1982. This will be our busiest period, with many of our projects coming to fruition. Indeed, the Commission has already acted to increase its pace of meeting to once a month (from 4 meetings in FY 1980, to 9 planned in FY 1981 and 15 planned in FY 1982/83).

In January of this year President Carter recommended an appropriation of $2.5 million for the Commission. A request for $2.2 million is now before you from President Reagan because this Commission, like all areas of government, must share in the budgetary belt-tightening. Although reductions were made in all categories, including personnel and travel, certain expenses (such as rent, office expenses, meeting costs, etc.) are fairly inflexible so that the brunt is borne by the categories that support our substantive work (which has been cut by more than 20%). Any further reduction might compromise our ability to do a proper job on the wide range of mandated reports in the short time remaining. (As you know, delays in appointing the Commission compressed our work into three rather than four years.)

We will be prudent with all funds appropriated and make them go as far as possible. Moreover, I promise you that should it develop that we do not need our entire appropriation, you can be sure that we will not spend it for the sake of spending it. When, during our first nine months of operation, it became apparent that, because of the nature of the first studies we were taking up and our partial staffing level, we could not wisely expend the entire amount of "reprogrammed" funds that had been provided for FY 1980 by the Public Health Service, we returned $503,000, to allow them to be used for other purposes. (Regrettably, the House-approved level for our operation under the continuing resolution in FY 1981 was, shortly thereafter, reduced by $514,000 to $1.5 million. This has caused a major reduction in the funds available to support research, restricting the range of our investigations during the current year.)

REGULATORY BUDGET

The President's Commission has no direct regulatory responsibility. We are, however, empowered to recommend regulations, and our attention is specially directed under the statute to federal rules on research with human beings. During our first year, in examining the rules of the Department of Health and Human Services (which is the lead agency in this area), we were struck that some of the regulations and practices appeared unjustified or counterproductive.

In September 1980 we informed Secretary Harris of our conclusion that there was no support in current law for proposed HHS regulations, which would have _required_ full prior review and approval of _all_ research conducted at an institution that receives any federal research funds even when a particular research project is _not_ federally supported. The Office of Management and Budget and the Office of Science and Technology Policy expressed their agreement with our position. Shortly before leaving office, Secretary Harris adopted our view and signed regulations that encourage but do not require institutions to review studies on humans that are not federally funded.

Furthermore, in line with other recommendations made by the Commission to the Secretary, the new regulations limit the scope of Federal authority over the conduct of social science research, such as the use of questionnaires and educational tests. These changes in the HHS regulations will relieve local review boards of an immense regulatory burden by eliminating required review of research proposals having no discernible risk to human subjects. The results should be enhanced respect for the regulatory process and more time for those few proposals that may actually present ethical problems.

THE COMMISSION'S WORK

I am proud to tell you that one year into our work we are well on our way to fulfilling the mandate the Congress set for us. By the end of 1982, when the Commission closes its doors, we plan to complete all the tasks originally assigned to us, plus several others we were asked to assume. Let me provide a few highlights.

The "Definition" of Death: The Commission has held extensive public hearings on the "definition" of death, an issue that arises from medicine's ability to sustain heart and lung function in bodies that lack all brain functioning. Witnesses have included theologians, neurologists, and public policy experts. The determination of death is a matter not only of ethical but also practical concern--for proper care to be given, for unnecessary costs to be avoided, for ligitation to be forestalled.

Working with the American Bar Association, the American Medical Association, and the National Conference of Commissioners on Uniform State Laws, a single proposal has been developed and approved, which will eliminate the inconsistencies between common law and statutory law as well as those among existing state statutes. We plan action on a final report by our May meeting, one year after we began consideration of this issue.

Compensation for Research Injuries: At the request of the Department of Health and Human Services, we undertook to complete consideration of the subject of providing compensation, on a non-fault basis, for subjects injured in the course of biomedical and behavioral research. The recent, tragic death of a young woman participating in a sleep study at NIH and other lawsuits growing out of earlier federally sponsored research are vivid reminders of the importance of the compensation issue.

At its January 1981 meeting the Commission concluded that the compensation program recommended by an HEW Task Force in 1977 was far too expansive, taking insufficient account of potential abuse and snowballing costs. Our staff is now at work on a far more modest proposal, one which will satisfy essential ethical concerns while respecting necessary fiscal and other restraints on government spending and new government programs.

Genetic Engineering: In response to a request to the President from representatives of the Catholic, Protestant, and Jewish faiths, the Commission agreed in September 1980 to consider ethical issues in genetic engineering. Recombinant DNA technology--a field advancing with incredible rapidity--holds great promise for agriculture, for pharmacology and for medical therapy. Through its consultation with medical, social and philosophical experts in and outside government, the Commission is analyzing the ethical and social issues that are raised by these new developments in order to place the relevant issues into the context of federal decision-making.

PROGRAM PRIORITIES

All of the reports just described should be finished during the current fiscal year. We have already begun work in the five areas that will be our focus during FY 1982. Major attention is being directed to the federal regulations and guidelines on human experimentation. Early next fall, the Commission will issue its first Biennial Report on the Protection of Human Subjects as required by our statute. In addition to a review of the adequacy and uniformity of such regulations, the Report will treat various substantive problems. For example, we are looking into instances in which federal granting agencies failed to investigate even though they were aware of allegations that an investigator has failed to protect research subjects or otherwise violated their rights. We wish to see whether there are administrative procedures for funding agencies to provide due process for investigators against whom allegations are made while, at same time, assuring that human subjects are not abused (nor scientific fraud perpetrated) with public monies.

Another important area of study concerns the ethical implications of any differences in the availability of health care. The American health system is at a crossroads at the present time. The era of "more for everyone," regardless of cost, is over. The question is how to maintain the national goal of equity in access while at the same time making these cost-conscious choices. At our next meeting, we will hear testimony on whether access to health care remains a pressing social problem and review the record of existing governmental programs, in terms of both costs and results in expanding access to health care and improving the nation's health. In future sessions, we will study the ethical implications of ever-increasing costs of health care and of efforts to control those costs, including the preservation of free choice and the role of competition in the health care system.

Our assignment to study informed consent in health care raises important issues. Surprisingly little attention has been given to key issues such as the ability of sick people to receive and use information, the relevance of various kinds of risk information, the appropriate role of various health professionals, and the relevance of this subject to federal health programs. Unless society integrates meaningful informed consent into the mainstream of medicine, the consent process may become a hollow legal ritual with detrimental effects on costs and quality of health care. It should be possible to develop a standard that will balance the relevant--and sometimes conflicting--objectives: The warning of probable adverse consequences; the avoidance of unnecessarily stimulating fears with respect to all of the possible adverse effects; and the opening of a discourse between the physician and the patient to the extent the patient desires it.

Growing scientific understanding of the causes of diseases shows inherited disorders to be of ever-greater importance. This understanding is accompanied by the rapid development of means of detecting such disorders or the risk that they will occur in offspring. The use of these new developments in a wise and humane fashion will have an enormous impact on what our society is like in the future--not just in the treatment of genetic disorders, but in freedom of reproduction, respect for all persons (including those burdened with genetic disorders), and perhaps in our very conception of what it means to be human. The Commission plans to begin its inquiry into this very far-reaching area by examining a specific technology--screening for cystic fibrosis carriers--which is now on the horizon.

CONCLUSION

Mr. Capron and I would be pleased to answer any questions you have about specific items in our budget and about the Commission's plans and Progress. The growing public concern about the ethical conduct of research and treatment presents us with awesome issues. We are anxious to finish the tasks you have given us.

PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL RESEARCH

INTRODUCTION

Background

The President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research was authorized by Congress with the passage of Public Law 95-622 (and Executive Order No. 12184, dated December 17, 1979). Title III mandates that the Commission, which is authorized to be in existence until December 31, 1982, undertake studies of the ethical and legal implications of:

A. the requirements for informed consent to participation in research projects and to otherwise undergo medical procedures;

B. the matter of defining death, including the advisability of developing a uniform definition of death;

C. voluntary testing, counseling, and information and education programs with respect to genetic diseases and conditions, taking into account the essential equality of all human beings, born and unborn;

D. the differences in the availability of health services as determined by the income or residence of the persons receiving the services;

E. current procedures and mechanisms designed (i) to safeguard the privacy of human subjects of behavioral and biomedical research, (ii) to ensure the confidentiality of individually identifiable patient records, and (iii) to ensure appropriate access of patients to information contained in such records, and

F. such other matters relating to medicine or biomedical or behavioral research as the President my designate for study by the Commission.

The Commission is also required to issue a biennial report on the uniformity and adequacy of rules, policies, guidelines, and regulations of all Federal agencies regarding the protection of human subjects of research, and of their actual implementation.

Upon completion of each investigation or study undertaken by the Commission, it will report its findings to the President and the Congress and to each Federal agency to which a recommendation in the report applies.

The Commission is comprised of 11 members appointed by the President. The Commission Chairman is Morris B. Abram. The Executive Director is Professor Alexander M. Capron. A list of the Commission members, as well as more specific biographical information on the Chairman appear at the end of this submission.

Although authorized an annual appropriation of $5-million, this request represents the needs of the Commission during FY 1982 and the first three months of FY 1983, at an annual rate of $1.76-million.

Prior Funding History

The Commission began its work in January 1980 with reprogrammed funds in the amount of $1,200,000 for nine months of FY 1980 from the Public Health Service, Department of Health, Education and Welfare, with the consent of the Subcommittees on Appropriations of both the House and the Senate. The FY 1981 budget authority is $1,545,000 under a continuing resolution.

The funds allocated to the President's Commission to date have been used to obtain staff, to carry on daily operations necessary to fulfill the Commission's mandate and to support the following on-going studies: (1) the definition of death; (2) the provision of compensation for research-related injuries; (3) a survey and analysis of the policies and procedures for the protection of human subjects in research conducted or supported by all federal agencies; (4) the differences in availability of health care; and (5) the ethical and social implications of human "genetic engineering." During FY 1981 work has also commenced on studies in three additional mandated areas: (1) informed consent in treatment and research; (2) screening and counseling for genetic diseases; and (3) confidentiality of, and access to, research and treatment records.

BUDGET REQUEST JUSTIFICATION BY OBJECT CLASS

NOTE: All figures are for a fifteen month period, 10/1/81 to 12/31/82.

11.1 Personnel Compensation: $543,000

Regular salaries and wages of 12 full-time permanent employees.

This is the core staff needed to enable the Commission to carry out the extensive mandate contained in its authorizing statute. The complexity of the task, which spans a very broad range of disciplines, has been increased because the work must be accomplished in a period of three rather than four years as originally intended. The positions include: the Executive Director who is responsible for the Commission's overall management and direction; the Deputy Director, who oversees the work of professional staff, consultants, contractors and researchers on a day-to-day basis to assure coordination of effort, and who is particularly responsible for the Commission's review of regulations on human experimentation; five specialists (in ethics, law, medicine, sociology and health policy) who direct the Commission's work in areas of their particular expertise; one Public Information Officer, who is responsible for disseminating information to the media, public and private institutions, Members of Congress, and members of the general public; one Research Associate with competence to work with the senior professional staff on a wide range of issues; one Administrative Officer; one Committee Management Assistant/Secretary to coordinate the Commission's activities; and one Secretary to provide general support.

11.3 Positions other than Permanent: $392,000

Compensation of 11 Commission members, temporary and part-time employees, and consultants, as needed. This amount includes compensation (in the amount of $170 per day) for the Commissioners at the twelve annual Commission meetings and public hearings, and for consultants, in addition to actual nonpermanent personnel of the Commission. An increase (from 6 to 8) has been included in the approved submission for temporary employees, to provide the necessary professional and secretarial assistance for the processing of the results of Commission studies and the production of reports during the final 15 months of the Commission's life.

11.5 Other Personnel Compensation: $37,000

This amount represents overtime and holiday pay based upon the Commission's experience and that of other Commissions which have engaged in similar activities. The Commission's regularly scheduled meetings typically include one weekend day.

12.1 Personnel Benefits: $85,000

Costs of employees' Civil Service Retirement Fund, health benefits, life insurance, FICA for temporary or part-time employees, consultants, and Commissioners, as applicable.

21.0 Travel and Transportation of Persons: $182,000

This amount covers fifteen trips to meetings of the Commission and hearings by 11 Commissioners at an average cost of $420 per meeting ($69,300); one trip for each Commissioner to a professional meeting in behalf of the Commission ($4,620); travel of staff to meetings, public hearings, site visits, and representation of Commission ($40,320); public information and foreign travel ($8,960); travel of consultants and task force members to meetings and site visits ($58,800). (It is anticipated that costs related to speaking engagements for both staff and Commissioners will be supplied by the inviting organization whenever possible.)

22.0 Transportation of things: $3,000

23.1 Standard level user charge: $60,000

23.2 Communications, Utilities, and Other Rent: $67,000

Charges for telephone and other communications services, including installation of equipment and pro rata share of payments to the Federal Telecommunications Fund; postage fees; and rental of equipment, such as typewriters and reproduction machines.

24.0 Printing and Reproduction: $150,000

The Commission's three years of work will culminate in the period covered by this budget request. During this period, the Commission will issue six to ten reports. Wide dissemination of a number of these, to professionals in medicine and research as well as to the general public, will be important for the success of the Commission's labors. In addition, audiovisual presentations for several subjects are planned. The request also includes printing of basic public information literature; reprinting of articles and papers for the Commission's own use; costs of printing reports and documents in the Federal Register as mandated; costs of reproduction of papers and reports for distribution to Commissioners, advisors and other agencies of the government; and professional editing services for reports. Requests from individuals or organizations for large quantities will be handled by the Superintendent of Public Documents at the expense of the requesting party.

25.0 Other Services: $628,000

Included in this amount are the following items: 1) The standard GSA support service contract for Commissions (estimated at $78,750); 2) Professional Services to produce reports in discrete areas of the work of the Commission ($140,000); 3) Contracts to universities, research institutions, others ($409,250), to perform studies in the wide range of areas encompassed within the Commission's mandate, including several empirical projects and large-scale investigations to produce and analyze national and international data which will provide part of the basis for the Commissioners to arrive at their recommendations and conclusions.

26.0	Supplies and Materials: Costs of ordinary office and stationery items such as paper, letterhead, envelopes, pens and pencils, notebooks, legal pads, typewriter ribbons, standardized and GSA forms, ring binders, file cards, folders, staplers, etc., and in addition, newspapers, periodicals, technical journals, and books for research purposes.	$42,000
99.0	Total Obligations:	$2,200,000

PROGRAM OPERATING PLAN. FY 1982

The initial program for FY 1982 will be to complete studies undertaken during FY 1981 in the areas of the federal regulation of human experimentation and the access to, and distribution of, health care in this country. During FY 1982 major attention will also be paid to studies on the ethical and social implications of the doctrine of informed consent to health care interventions, on programs for genetic disease, on the prolongation of life and the termination of treatment, and on the confidentiality of health records.

The process of holding hearings to obtain the full spectrum of views while the Commission is gathering information on an area under study will be supplemented by meetings aimed at disseminating the Commission's conclusions and recommendations widely and receiving public reaction to them. The issues before the Commission are complex but at least in some part they are not unfamiliar in the lives of all Americans. The Commission will make a major effort to insure that its work is explained to the public in a comprehensible manner.

The specific program plans are as follows, as described in the Commission's statute:

Biennial Report on the protection of human subjects: Early in the fiscal year and prior to completing its second year in operation, the Commission will complete the review mandated by its enabling statute of the adequacy and uniformity of the policies, guidelines and regulations governing research with human subjects conducted or supported by all Federal agencies, as well as a selective review of their actual implementation. The analysis completed to date indicates that a great deal of information must be gathered and scrutinized concerning such research both conducted by the agencies and supported with federal grants and contracts to private institutions. Attention will also be paid to several substantive issues raised by current Federal regulations and practices. The report will include any recommendations for possible legislation or revision of current regulations that appear to be warranted. The Commission has already been successful in bringing about changes in HHS regulations on human subjects, and this oversight function will continue on an ongoing basis. The Commission intends to develop procedures, which are now lacking, to facilitate continuing scrutiny of the rules and their implementation with minimum effort and expense. A report on the design of such procedures and on initial tests of their relative efficacy will be included in a second report on the protection of human subjects issues prior to the completion of the Commission's business in December 1982.

Differences in the availability of health services by geography or economic status: Studies on the meaning of data in this area and their ethical implications were initiated in FY 1981 and will be completed in FY 1982. It is not the intention of this Commission to duplicate information already available, but instead to augment and analyze already existing studies. This analysis will result in several Commission reports. These reports are not intended primarily to address questions about the availability of services but to examine the effectiveness and humaneness of the services offered, the ethical premises underlying the health delivery system, and the prospects for achieving equity and fairness in an era of fiscal constraint.

Informed consent in research and treatment: The Commission is mandated to study informed consent not only for research projects but also for medical procedures. The first half of this charge will be addressed as part of the biennial report on the rules governing human experimentation. The second will be treated as part of the Commission's study not only of the current law of informed consent and its ethical premises, but more broadly of disclosure and consent as part of the physician-patient relationship.

Testing, counseling, and information and education programs with respect to genetic diseases and conditions: The Commission will undertake studies to determine the availability of such services and the training of individuals engaged in or providing such services throughout the country on a population, prenatal, neonatal or workplace basis. The Commission will also develop ethical guidelines for the provision of genetic screening, counseling and education, taking into account considerations of privacy, rights of parents, family, and the unborn.

Prolongation of life and termination of treatment: Based upon the results of studies now being conducted on the impact of respirator assistance for intensive care patients to determine the numbers of patients (a) who fully recover following such treatment, (b) who die (by cardiopulmonary or whole-brain standards) despite such treatment, or (c) who regain spontaneous breathing but remain unconscious, the Commission will examine the issue of prolongation of life. The Commission will address questions of patient, familial and professional expectations, the protection of human life and autonomy, and the means available to assure ethical care in terminal illness.

Privacy of human subjects and confidentiality of medical records: The Commission will examine federal and state statutes and common law to determine whether additional protection in this area is necessary and, if so, develop legislative recommendations that take into account relevant ethical and legal principles.

Reports to Federal Agencies: The Commission will monitor the implementation of its recommendations concerning federal regulations, especially regarding the protection of human subjects of research. These studies will involve over 20 federal agencies currently conducting or supporting research with human subjects.

It is anticipated that smaller, discrete studies will also be undertaken in FY 1982 as in FY 1981 on issues referred to the Commission by the President.

APPROPRIATION LANGUAGE

SALARIES AND EXPENSES

For expenses necessary for the President's Commission to conduct studies of ethical problems in medicine and biomedical and behavioral research as authorized by 42 U.S.C. 300v, including costs of contracts, authorized by section 1803(c) of the Public Health Service Act, $2,200,000, to remain available until December 31, 1982.

PRESIDENT'S COMMISSION FOR THE STUDY ETHICAL
PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL
RESEARCH

PROGRAM AND FINANCING
(in thousands of dollars)

Identification code 48-3800-0-1-551		19 80 actual	19 81 estimate	19 82* estimate
	Program by activities:			
10.00	Medical ethical problem studies (program costs, funded - obligations)	---	1,545	2,20
	Financing:			
39.00	Budget authority	---	1,545	2,20
	Budget authority:			
40.00	Appropriation	693	1,500	2,20
44.20	Supplemental for civilian pay raises	---	45	---
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	---	1,545	2,200
74.40	Obligated balance, end of year ...	---		-510
90.00	Outlays, excluding pay raise supplemental............	376	1,500	1,690
91.20	Outlays from civilian pay raise supplemental	---	45	---

NOTE:

* 15-month period; funds to remain available in FY 1983 through December 31, 1982.

PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL RESEARCH

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 48-3800-0-1-551		1980 actual	1981 estimate	1982* estimate
	Personnel compensation:			
11.1	Permanent positions	---	476	543
11.3	Positions other than permanent	---	257	392
11.5	Other personnel compensation	---	11	37
~~11.8~~	~~Special personal services payments~~			
	Total personnel compensation	---	744	972
	Personnel benefits:			
12.1	Civilian	---	71	85
13.0	Benefits for former personnel	---	---	---
21.0	Travel and transportation of persons	---	99	182
22.0	Transportation of things	---	---	3
23.1	Standard level user charge	---	43	71
~~23.0~~	~~Rent, communications, and utilities~~			
23.2	Communications, utilities and other rent	---	53	67
24.0	Printing and reproduction	---	90	150
25.0	Other services	---	420	628
26.0	Supplies and materials	---	25	42
31.0	Equipment	---	---	---
32.0	Lands and structures			
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities			
43.0	Interest and dividends			
44.0	Refunds			
99.0	Total obligations	---	1,545	2,200

*NOTE: 15-month period; funds to remain available in FY 1983 through December 31, 1982.

PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL RESEARCH

PERSONNEL SUMMARY

Identification code 48-3800-0-1-551	19 80 actual	19 81 estimate	19 82 estimate
Total number of permanent positions	7	12	12
Total compensable work years . . .			
Full-time equivalent employment*	3.23	21	24
Full-time equivalent of overtime and holiday hours	(0)	(0)	(0)
Average GS grade	13.57	12.92	12.92
Average GS salary	34,893	35,416	36,173

PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL RESEARCH

DETAIL OF PERMANENT POSITIONS

POSITION TITLE	GRADE	SALARY
Executive Director	GS-17	$50,112
Deputy Director	GS-15	47,517
Medical Studies Director	GS-15	50,112
Health Policy Director	GS-15	47,517
Legal Studies Director	GS-15	46,032
Behavioral/Social Scientist	GS-14	40,395
Ethicist	GS-13	34,184
Public Information Officer	GS-12	28,747
Research Associate	GS-12	28,747
Committee Management Assistant	GS-9	21,065
Staff Assistant/Secretary	GS-9	19,825
Administrative Officer/Administrative Assistant	GS-9	19,825

PUBLIC LAW 95-622—NOV. 9, 1978 —TITLE III *

Sec. 301. The Public Health Service Act is amended by adding after title XVII the following new title:

"TITLE XVIII—PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL RESEARCH

"ESTABLISHMENT OF COMMISSION

"Sec. 1801. (a) Establishment.—(1) There is established the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research (hereinafter in this title referred to as the 'Commission') which shall be composed of eleven members appointed by the President. The members of the Commission shall be appointed as follows:

"(A) Three of the members shall be appointed from individuals who are distinguished in biomedical or behavioral research.

"(B) Three of the members shall be appointed from individuals who are distinguished in the practice of medicine or otherwise distinguished in the provision of health care.

"(C) Five of the members shall be appointed from individuals who are distinguished in one or more of the fields of ethics, theology, law, the natural sciences (other than a biomedical or behavioral science), the social sciences, the humanities, health administration, government, and public affairs.

"(2) No individual who is a full-time officer or employee of the United States may be appointed as a member of the Commission. The Secretary of Health, Education, and Welfare, the Secretary of Defense, the Director of Central Intelligence, the Director of the Office of Science and Technology Policy, the Administrator of Veterans' Affairs, and the Director of the National Science Foundation shall each designate an individual- to provide liaison with the Commission.

"(3) No individual may be appointed to serve as a member of the Commission if the individual has served for two terms of four years each as such a member.

"(4) A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

"(b) Terms.—(1) Except as provided in paragraphs (2) and (3), members shall be appointed for terms of four years.

"(2) Of the members first appointed—

"(A) four shall be appointed for terms of three years, and

"(B) three shall be appointed for terms of two years,

as designated by the President at the time of appointment.

"(3) Any member appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term. A member may serve after the expiration of his term until his successor has taken office.

"(c) Chairman.—The Chairman of the Commission shall be appointed by the President, by and with the advice and consent of the Senate, from members of the Commission.

"(d) Meetings.—(1) Seven members of the Commission shall constitute a quorum for business, but a lesser number may conduct hearings.

"(2) The Commission shall meet at the call of the Chairman or at the call of a majority of its members.

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* 92 Stat. 3437 - 3442, codified as 42 U.S.C. Ch. 6A (Public Health Service), Subchapter XVI, §§300v-300v-3.

"(e) COMPENSATION.—(1) Members of the Commission shall each be entitled to receive the daily equivalent of the annual rate of basic pay in effect for grade GS–18 of the General Schedule for each day (including travel time) during which they are engaged in the actual performance of duties vested in the Commission.

"(2) While away from their homes or regular places of business in the performance of services for the Commission, members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703 of title 5 of the United States Code.

"DUTIES OF THE COMMISSION

"SEC. 1802. (a) STUDIES.—(1) The Commission shall undertake studies of the ethical and legal implications of—

"(A) the requirements for informed consent to participation in research projects and to otherwise undergo medical procedures;

"(B) the matter of defining death, including the advisability of developing a uniform definition of death;

"(C) voluntary testing, counseling, and information and education programs with respect to genetic diseases and conditions, taking into account the essential equality of all human beings, born and unborn;

"(D) the differences in the availability of health services as determined by the income or residence of the persons receiving the services;

"(E) current procedures and mechanisms designed (i) to safeguard the privacy of human subjects of behavioral and biomedical research, (ii) to ensure the confidentiality of individually identifiable patient records, and (iii) to ensure appropriate access of patients to information continued in such records, and

"(F) such other matters relating to medicine or biomedical or behavioral research as the President may designate for study by the Commission.

The Commission shall determine the priority and order of the studies required under this paragraph.

"(2) The Commission may undertake an investigation or study of any other appropriate matter which relates to medicine or biomedical or behavioral research (including the protection of human subjects of biomedical or behavioral research) and which is consistent with the purposes of this title on its own initiative or at the request of the head of a Federal agency.

"(3) In order to avoid duplication of effort, the Commission may, in lieu of, or as part of, any study or investigation required or otherwise conducted under this subsection, use a study or investigation conducted by another entity if the Commission sets forth its reasons for such use.

"(4) Upon the completion of each investigation or study undertaken by the Commission under this subsection (including a study or investigation which merely uses another study or investigation), it shall report its findings (including any recommendations for legislation or administrative action) to the President and the Congress and to each Federal agency to which a recommendation in the report applies.

"(b) RECOMMENDATIONS TO AGENCIES.—(1) Within 60 days of the date a Federal agency receives a recommendation from the Commission that the agency take any action with respect to its rules, policies, guidelines, or regulations, the agency shall publish such recommendation in the Federal Register and shall provide opportunity for interested persons to submit written data, views, and arguments with respect to adoption of the recommendation.

"(2) Within the 180-day period beginning on the date of such publication, the agency shall determine whether the action proposed by such recommendation is appropriate, and, to the extent that it determines that—

"(A) such action is not appropriate, the agency shall, within such time period, provide the Commission with, and publish in the Federal Register, a notice of such determination (including an adequate statement of the reasons for the determination), or

"(B) such action is appropriate, the agency shall undertake such action as expeditiously as feasible and shall notify the Commission of the determination and the action undertaken.

"(c) REPORT ON PROTECTION OF HUMAN SUBJECTS.—The Commission shall biennially report to the President, the Congress, and appropriate Federal agencies on the protection of human subjects of biomedical and behavioral research. Each such report shall include a review of the adequacy and uniformity (1) of the rules, policies, guidelines, and regulations of all Federal agencies regarding the protection of human subjects of biomedical or behavioral research which such agencies conduct or support, and (2) of the implementation of such rules, policies, guidelines, and regulations by such agencies, and may include such recommendations for legislation and administrative action as the Commission deems appropriate.

"(d) ANNUAL REPORT.—Not later than December 15 of each year (beginning with 1979) the Commission shall report to the President, the Congress, and appropriate Federal agencies on the activities of the Commission during the fiscal year ending in such year. Each such report shall include a complete list of all recommendations described in subsection (b)(1) made to Federal agencies by the Commission during the fiscal year and the actions taken, pursant to subsection (b)(2), by the agencies upon such recommendations, and may include such recommendations for legislation and administrative action as the Commission deems appropriate.

"(e) PUBLICATIONS.—The Commission may at any time publish and disseminate to the public reports respecting its activities.

"(b) DEFINITIONS.—For purposes of this section:

"(1) The term 'Federal agency' means an authority of the government of the United States, but does not include (A) the Congress, (B) the courts of the United States, and (C) the government of the Commonwealth of Puerto Rico, the government of the District of Columbia, or the government of any territory or possession of the United States.

"(2) The term 'protection of human subjects' includes the protection of the health, safety, and privacy of individuals.

"ADMINISTRATIVE PROVISIONS

"SEC. 1803. (a) HEARINGS.—The Commission may for the purpose of carrying out this title hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence, as the Commission may deem advisable.

"(b) STAFF.—(1) The Commission may appoint and fix the pay of such staff personnel as it deems desirable. Such personnel shall be appointed subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and shall be paid in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(2) The Commission may procure temporary and intermittent services to the same extent as is authorized by section 3109(b) of title 5 of the United States Code, but at rates for individuals not to exceed the daily equivalent of the annual rate of basic pay in effect for grade GS-18 of the General Schedule.

"(3) Upon request of the Commission, the head of any Federal agency is authorized to detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist it in carrying out its duties under this title.

"(c) CONTRACTS.—The Commission, in performing its duties and functions under this title, may enter into contracts with appropriate public or nonprofit private entities. The authority of the Commission to enter into such contracts is effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriation Acts.

"(d) INFORMATION.—(1) The Commission may secure directly from any Federal agency information necessary to enable it to carry out this title. Upon request of the Chairman of the Commission, the head of such agency shall furnish such information to the Commission.

"(2) The Commission shall promptly arrange for such security clearances for its members and appropriate staff as are necessary to obtain access to classified information needed to carry out its duties under this title.

"(3) The Commission shall not disclose any information reported to or otherwise obtained by the Commission which is exempt from disclosure under subsection (a) of section 552 of title 5, United States Code, by reason of paragraphs (4) and (6) of subsection (b) of such section.

"(e) SUPPORT SERVICES.—The Administrator of General Services shall provide to the Commission on a reimbursable basis such administrative support services as the Commission may request.

"AUTHORIZATION OF APPROPRIATIONS; TERMINATION OF COMMISSION

"SEC. 1804. (a) AUTHORIZATIONS.—To carry out this title there are authorized to be appropriated $5,000,000 for the fiscal year ending September 30, 1979, $5,000,000 for the fiscal year ending September 30, 1980, $5,000,000 for the fiscal year ending September 30, 1981, and $5,000,000 for the fiscal year ending September 30, 1982.

"(b) FEDERAL ADVISORY COMMITTEE ACT; TERMINATION.—The Commission shall be subject to the Federal Advisory Committee Act, except that, under section 14(a)(1)(B) of such Act, the Commission shall terminate on December 31, 1982.".

MEMBERS OF THE PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE AND BIOMEDICAL AND BEHAVIORAL RESEARCH

MORRIS B. ABRAM is a New York attorney, former President of Brandeis University, and an advocate of human and civil rights. He has served previously at the behest of United States Presidents in various capacities. President John F. Kennedy appointed him as First General Counsel to the Peace Corps in 1961 and President Lyndon B. Johnson named him to serve as the U.S. Representative to the United Nations Commission on Human Rights between 1965-1968.

Mr. Abram has assumed other prominent civic positions as well. He has been President of the American Jewish Committee, a member of the U.N. Subcommission on Prevention of Discrimination and Protection of Minorities, and long-time Chairman of the United Negro College Fund. In addition, he has served as a member of the Mt. Sinai Hospital Human Subjects Review Panel.

Mr. Abram is presently practicing law in New York City as a partner in the firm of Paul, Weiss, Rifkind, Wharton, and Garrison. He is a native of Atlanta, a former Rhodes Scholar, and a graduate of the University of Chicago Law School.

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RENEE CLAIRE FOX is a University of Pennsylvania sociologist. Her experience in the dual areas of ethics and health care is extensive. She has been a member of the Ethics Committee of the Institute of Medicine of the National Academy of Sciences. In addition, she is a Fellow and founding member of the Institute of Society, Ethics and Life Sciences and is Secretary of the Institute of Intercultural Studies. Dr. Fox also serves as a member of the Board of Directors of the American Association for the Advancement of Science, and of the Council of the Institute of Medicine.

She is the author of numerous articles. Her books include Experiment Perilous (published in 1959), The Emerging Physician (published in 1968), Essays in Medical Sociology - Journeys Into the Field (published in 1979), and The Courage to Fail, co-authored with Judith Swazey (published in 1974).

Dr. Fox has taught in various universities in the United States, Europe, and Africa, since receiving her Ph.D. from Radcliffe College, Harvard University in 1954. She is currently Annenberg Professor of the Social Sciences at the University of Pennsylvania, with appointments in the Department of Psychiatry, Medicine, and Sociology She chaired the latter department from 1972 to 1978.

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MARIO GARCIA-PALMIERI served as the Puerto Rican Secretary of Health from 1967-1968. He holds other honors as well, having received many awards for his work in cardiology. Recently, he was named President of the Executive and Organizing Committee of the XI Interamerican Congress of Cardiology. Dr. Garcia is the author of a book and over 100 scientific papers, and he is a frequent lecturer throughout the United States and Latin America.

A native Puerto Rican, Dr. Garcia-Palmieri was born in Adjuntas in 1927. He earned his medical degree at the University of Maryland in 1951.

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FRANCES KEESLER GRAHAM is Hilldale Professor of Psychology and Pediatrics at the University of Wisconsin. For the majority of her professional career, she has done extensive research in addition to her teaching responsibilities. The respect afforded Dr. Graham by her colleagues is reflected in her selection as

President of the Society of Psychophysiological Research and of the Society for Research in Child Development. In 1979, she was named to chair the American Association for the Advancement of Science's Section on Psychology.

Dr. Graham has authored articles in distinguished journals virtually every year since 1943, with her most recent work focusing on reflex responsiveness. She received her Bachelor's Degree from Pennsylvania State University in 1938 and her Ph.D. from Yale University in 1942.

* * *

ALBERT RUPERT JONSEN is Chairman of the Bioethics Group for the five University of California Schools of Medicine. He received his Ph.D. degree in Religious Studies from Yale University.

Dr. Jonsen is currently Professor of Ethics in Medicine at the University of California School of Medicine at San Francisco. His work in this field dates back to 1973 when he was a member of the Committee on Human Values in Health Care of the Institute of Medicine. From 1974-1978, he served as a member of the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research. He is currently a Fellow of the Institute of Society, Ethics and Life Sciences.

His most recent book, published in 1976, is *Ethics of Newborn Intensive Care*. In 1978, he co-authored an article for the *Encyclopedia of Bioethics* entitled "History of Twentieth-Century Medical Ethics in North America." He is also on the editorial board of the *Journal of Religious Ethics*.

* * *

MATHILDE KRIM is an associate member of the Sloan-Kettering Institute for Cancer Research. She is also the coordinator of Sloan-Kettering's International Laboratories for the Molecular Biology of Interferon Systems. She is on the Boards of Directors of the National Biomedical Research Foundation and of the Institute of Society, Ethics and the Life Sciences. Dr. Krim is also a member of the National Endowment for the Humanities' Advisory Committee on Science, Technology, and Human Values.

She was appointed by President Lyndon Johnson to serve on the President's Committee on Mental Retardation, and has been a consultant in the area of cancer research. Though an American citizen, she was born in Italy and educated at the University of Geneva in Switzerland.

* * *

DONALD N. MEDEARIS is Chief of Children's Service at Massachusetts General Hospital and Professor of Pediatrics at Harvard University. He is a 1949 graduate of the University of Kansas. He received his medical degree from Harvard in 1953. Since that time, his professional activity has focused on the study of infectious diseases in children.

. He has held academic and administrative posts at several medical schools. He taught at Johns Hopkins University, the University of Pittsburgh, and Case Western Reserve University before coming to Harvard in 1977. From 1965 to 1969 he was Medical Director of Children's Hospital in Pittsburgh, and from 1969 to 1974, he served as the Dean of the School of Medicine at the University of Pittsburgh.

ARNO G. MOTULSKY is an expert in the field of genetics and Professor at the University of Washington's School of Medicine. He is director of the University's Center for Inherited Diseases and of the Genetics Clinic at the University Hospital where he is also an attending physician in medicine. He is chairman of the Human Subject Policy Board at the University of Washington as well.

Dr. Motulsky is a member of the National Academy of Sciences and of the Institute of Medicine of that organization. Among his other professional activities are officerships in the American Society of Human Genetics and the Institute of Society, Ethics, and the Life Sciences. He is the co-author of Human Genetics: Principles and Approaches, which was published in 1979.

Dr. Motulsky, who was born in Germany, is a naturalized American citizen. He received his bachelor's and medical degrees from the University of Illinois and took his residency in internal medicine at Michael Reese Hospital in Chicago.

* * *

ANNE SCITOVSKY is Chief of the Health Economics Division at the Palo Alto Medical Research Foundation. She is a 1937 graduate of Barnard College. She pursued her studies at the London School of Economics and earned a Masters Degree in Economics from Columbia University in 1941.

She has published extensively in the area of health economics, including papers for the Department of Health, Education, and Welfare. Her most recent work has focused on the demand for physician's services and the cost of medical care.

* * *

CHARLES J. WALKER is a Nashville physician. He is a 1938 graduate of South Carolina State University. Five years later, he received his medical degree from Meharry Medical College.

Dr. Walker holds many professional affiliations, both past and present. He is former President of the South Street Community Center and served as a member of the Executive Board of the Nashville Human Relations Council. He is currently a member of the Board of Trustees of Fisk University, and is on the Board of Governors of the Matthew Walker Community Health Center.

* * *

CAROLYN A. WILLIAMS is a faculty member in the Department of Epidemiology, School of Public Health, and in the School of Nursing at the University of North Carolina at Chapel Hill. Professor Williams is a Fellow of the American Academy of Nursing and of the American Public Health Association. She chairs the Research Advisory Committee of the American Nurses Foundation and is a member of the Commission on Research of the American Nurses Association.

Professor Williams received her B.S. in 1961 from Texas Womens' University, her M.S. in Public Health Nursing in 1965 and her Ph.D. in Epidemiology in 1969, both from the University of North Carolina. In addition, she has studied ethics and philosophy at the Southwestern Baptist Theological Seminary. She has written widely on nurses' contributions to health care, community nursing, and ethical issues in health care policy.

BIOGRAPHICAL SKETCH

MORRIS BERTHOLD ABRAM

Personal: Born 6/19/18 in Fitzgerald, Georgia, son of Irene Cohen Abram and Sam Abram.

Family: Married (1/4/44) to the former Jane Maguire, of Orlando, Florida. Divorced. Remarried to Carlyn F. Fisher, January 1976.

Five children: Joshua Anthony (8/20/62); Adam (11/9/55); Morris, Jr. (10/1/50); Ann (4/9/48); and Ruth J. (now Mrs. Herbert Teitelbaum), 3020 Palisade Avenue, Riverdale, New York 10463. (9/19/45).

Education:
Fitzgerald, Ga., public and high school.
University of Georgia, Bachelor of Arts, summa cum laude, '38.
University of Chicago Law School, Doctor of Jurisprudence, '40.
Oxford University, Rhodes Scholar (BA, '48; MA, '53).
Fraternity: Phi Beta Kappa
Honorary Fellow, Pembroke College, Oxford University.
L.L.D. Degrees from Davidson College, North Carolina; Yeshiva University, New York; Tougaloo College, Jackson, Miss.

Military:
Jan. 1941-Oct. 1945, rising to rank of Major, U.S. Air Force Intelligence. Awarded the Legion of Merit.
Member, American Prosecution Staff, International Military Tribunal, Nuremberg, Germany, 1946.

Civic:
U.S. Representative, United Nations Commission on Human Rights, appointed by President Johnson, 1965-68.
Member, National Advisory Council on Economic Opportunity, appointed by President Johnson, 1967-68.
Senior Adviser to U.S. Mission to the United Nations, appointed by U.N. Ambassador Arthur J. Goldberg, 1965-68.
President, American Jewish Committee, 1963-68.
Honorary President, American Jewish Committee, 1968 to date.
President, The Field Foundation, Inc., elected in 1965.
Co-Chairman with William T. Coleman of the Planning Session of the White House Conference on Civil Rights, Nov. 1965.
Member, U.N. Subcommission on Prevention of Discrimination and Protection of Minorities, 1962-64, by appointment of President Kennedy.
First General Counsel, Peace Corps., 1961, by appointment of President Kennedy.
Chairman, Atlanta Citizens Crime Committee, 1958-61.
Counsel and Public Board Member, Regional Wage Stabilization Board for the South, 1951.
Assistant to Director, Committee for the Marshall Plan, 1948.
President, Brandeis University, 1968-70.
Chairman, United Negro College Fund, 1970-
Chairman, The Moreland Act Commission to investigate nursing homes, appointed by Governor Carey January 10, 1975.
Governor, UNA-USA, 1977-

Legal:
Attorney, partner, Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York, N.Y. 10022.
Association of the Bar of the City of New York, Atlanta, Ga., and the State of New York.
American Bar Association.
Lawyers Club of Atlanta.

Fellow, American College of Trial Lawyers.
Fellow, American Bar Foundation, 1978-

(Admitted to the Bar in New York and Georgia).

Other Affiliations:

Fellow, American Academy of Arts and Sciences, 1969-
Member, Board of Trustees of Twentieth Century Fund, 1958-
Member, Board of Trustees, Weizmann Institute of Science, Israel, 1966-
Honorary Citizen of Atlanta, Ga., 1966.
Member, Board of Trustees, Morehouse College, Atlanta, Ga., 1959-
Member of Executive Committee, Lawyers' Committee for Civil Rights Under Law, 1961-
Chairman of the Board, Benjamin N. Cardozo Law School of Yeshiva University, 1976-80

Miscellaneous

Co-author of the monograph, "How to Stop Violence in Your Community," which provided the basic model for laws adopted in five Southern states and 50 cities to curb the threatening activities of the Ku Klux Klan.

In 1954, he lost the Democratic primary election for a Congressional nomination (5th CD, Ga.) although he carried Fulton County (Atlanta). He trailed in two smaller counties and lost. The county unit election system was then in force. He challenged this system and won in the Supreme Court in 1963 in a ruling ("One Man, One Vote") that affected reapportionment decisions involving Congress and legislatures across the nation.

Has toured Israel, Europe and South America extensively and, in May, 1964, led an American Jewish Committee group in talks with Pope Paul VI on Catholic-Jewish relations, as expressed in a decree at the Ecumenical Council.

SUMMARY OF STATEMENT

Mr. Abram. I will be very brief. In view of what the line of questioning has been, I think it might be well if I start by saying that we are a commission that was authorized for 4 years. We did not get started until the year following the year in which authorized, so we are a 4-year commission with a 3-year life.

Also, I think I should observe, Mr. Chairman, that the authorization for each year of our life was $5 million. The request we have before you this year is for $2.2 million, but it is not for 12 months, it is for 15 months—for the period beginning October until the expiration of the life of the Commission, which will occur in December, 1982.

HARD CHOICES

We are at work, Mr. Chairman, on some of those hard choices that confront society in the area of medical care and research, with extraordinarily limited resources. The problems are not solved, are not easy to solve, and may never be solved, but we are trying to seek some kind of elucidation of the areas of agreement and disagreement.

You may have seen, Mr. Chairman, some of the issues adumbrated on public television in the program called "Hard Choices," moderated by perhaps the father or progenitor of this movement, Dr. Willard Gaylin. It is important that these issues be addressed and that they be addressed in a setting which is nonpolitical and reflective.

As I see the problems, the health care and research create wonderful possibilities and create also profound problems. For example, I'm particularly aware of the fact—and it concerns me—that health care continues to rise to the point where in the United States it now consumes 9 percent of the gross national product. Yet certainly we can't claim that everyone in this country is adequately taken care of.

From my own viewpoint, the relationship of physicians and other health professionals to their patients engenders a great deal of frustration as well as communication. I might add, that I regard the communication link as one of the healing links, one of the products of good medical care.

Finally, the developments in the life sciences may rival the Industrial Revolution in their transformation of society, changing the way we're born, the way we die, and the time in between. We've come to see that facts and values cannot be readily separated in biomedicine, so we ought as a society to study the ethical as well as the scientific. The creation of new powers for scientific research and the expenditure of hundreds of billions of dollars in health care make it urgent to engage in reflection on the values which should guide those who use these powers and spend these moneys.

COMMISSION OPERATIONS

It is for that reason that Congress established this Commission to engage in the critical examination, for a short period of time, of the ethical aspects of biomedicine in the hopes of insuring that the potential human benefits of this revolution will be realized.

I have already said that this budget is for 15 rather than 12 months. I might say that President Carter's recommendation was for $2.5 million for this year. The present Director of the OMB in this administration cut that down to $2.2 million, and that is the recommendation of OMB that is now before you.

I want to say now that I discussed this figure with Professor Capron. I said, and he agrees, that in this era of budget control and belt-tightening, there is no way in the world, no matter how important we think our work is—and we do think it's very important—that we should not participate in this cutting process. So it is with that request that we come to you.

REGULATORY REFORM

Now we have no direct regulatory responsibility. This deals with some of the questions, Senator Specter, that you put to the previous group that sat at this table. We are, however, empowered to recommend regulations, and our attention is especially directed under the statute to Federal rules on research with human subjects.

Now we've been in business only a year, but during that year, examining the rules of the Department of Health and Human Services, the lead agency, we were struck by the fact that some of those regulations and practices appeared unjustified and actually counterproductive.

I remember calling Professor Capron when I was out at the University of Chicago with my son who was seeking admission there. I woke up to the fact that Professor Pool at MIT was complaining about what he thought were the excessive regulations of Health and Human Services with respect to the review and research process. I remember calling Professor Capron from Chicago and asking that we get into that right away and look at it.

I might say that in September 1980, we informed Secretary Harris that there was no support in current law for some of those regulations.

Senator SPECTER. Are you saying in common law?

Mr. ABRAM. No, sir; in statutory law. Before leaving office, Secretary Harris adopted our views and did sign regulations that encourage but do not require institutions to review studies on human subjects that are not federally funded. In other words, they were using the Federal tie for some projects to review all projects, and they were also reviewing a good many social science research projects that involved human subjects in a way we felt was unnecessary.

COMMISSION PROGRESS

Senator SPECTER. The Commission is mandated, as I understand it, to report its findings to the President and Congress upon completion of its study by December 1982.

Do you anticipate being finished by that date?

Mr. ABRAM. I think we will finish this mandate. I'm not saying that it ought not to be continued, but we will finish the work that we've been assigned to do; the five areas and categories that have been assigned to us, we will finish.

Senator SPECTER. What will your expectation be—the time you finish those five areas with respect to any further life of the Commission?

Mr. ABRAM. I think as a commission we will probably make a recommendation to Congress as to whether or not the work ought to continue. I think the work probably in these areas will have been concluded, as well as we can conclude, in the time constraints that bind us and in terms of the technology and wisdom we have.

Senator SPECTER. How many Commissioners are there?

Mr. ABRAM. There are 10 plus myself. There are 11.

Senator SPECTER. What are the five areas that you are studying?

Mr. ABRAM. The first one that we tackled was the definition of death, and we will finish our recommendations in that field. I must say that sitting on my right is probably the acknowledged expert in that field. Largely through his leadership you will soon find, I think, a uniform definition of death, accepted both by us and also congruent with the definition of death of the American Medical Association and the American Bar Association and the National Conference of Commissioners on Uniform State Laws. I think this will be a remarkable achievement.

Senator SPECTER. That's an optimistic prediction. And even beyond that, Mr. Abram, by the courts?

Mr. ABRAM. I think so, because it will be, I think, in most cases in statute.

Did you read about yesterday, Mr. Chairman, if I may digress a moment, the heart-lung operation by Dr. Shumway out at Stanford?

Senator SPECTER. I did not.

AREAS OF INQUIRY

Mr. ABRAM. He did a heart-lung transplant with considerable success. It was a remarkable thing. I am told by the physicians—I'm not an expert on this—that one of the reasons that Dr. Shumway at Stanford has been more successful than others is because of the California statute with respect to the definition of death. Of course, that is intimately associated with the whole question of organ transplants.

Another one of the areas in which we are asked to work by the President is the field of genetic engineering.

We are also beginning Friday—going to begin the very difficult and tortuous task we were ordered by Congress to engage in, to determine the ethical and legal implications of differences in the availability of health services as determined by income or residence of the persons receiving the service. We're not trying to get to congressional fiefdoms; we're simply trying to define, as asked by the Congress, ethical considerations, and there are some extraordinary ethical considerations around which Congress will want to debate future health policy.

We also Saturday—this is still in answer to your question—we're going to get into the request with respect to access to medical records and also privacy of medical records. We are engaged already in the study, the other area that the Congress outlined, of the question of informed consent. As an attorney, I'm sure, Senator, you will understand that from my viewpoint I believe much of the cost of medicine today, an increasing portion of it, probably is due to the practice of defensive medicine which may not contribute at all to the patient's well-being or health or may not be necessary, but it is regarded as necessary in view of the state of the law with respect to malpractice. So we are very much engaged and have been now for several months in the study of what kind of informed consent is required ethically, and it may have some consequences in terms of cutting down the eventual cost of defensive medicine.

COMMISSION PUBLICATIONS

Senator SPECTER. Do you anticipate publishing extensive reports?

Mr. ABRAM. Yes, sir, we do.

Senator SPECTER. Can you provide them?

Mr. ABRAM. We shall and we will, sir.

Senator SPECTER. What would your expectation be as to size?

Mr. ABRAM. Alex, would you like to comment on that?

Mr. CAPRON. The way the Commission has chosen to accomplish its task is to issue a report as each project is completed. In addition to our annual report in other words, we will have five reports in the areas which Mr. Abram has mentioned, and a report on the issue of the compensation of subjects injured in research. This was not in our original mandate; it was a topic which the Secretary of Health and Human Services had asked her Ethics Advisory Board to study before that Board was then terminated. The request was then put to us.

In our largest area, we are mandated by the statute to issue a report on a biannual basis on the protection of human subjects by the Government through its regulations in all departments and agencies which sponsor and conduct research with human beings. We will issue the first report on that subject at the end of November or December 1981, which will be our first biennial period, and a second on the same subject shortly before completing our work.

Altogether I expect eight or nine reports from the Commission in addition to our annual reports. Some of those reports will probably be distributed very widely. We have a mailing list of 1,000 or so people and organizations. Some of those will be provided, in addition to the Congress and the President, primarily to those groups we identified as being interested in the subject, as well as our basic mailing list.

Others, such as the definition of death report, we anticipate sending still more widely; about 20,000 copies of that report will be made available. Because it affects State law, we want it to be available to State legislators, to people from the medical societies, and of course to the people in medical education since the people that came before the Commission, the experts on the subject, indicated that there's a great deal of—I can't use the word "ignorance"—lack of knowledge on the part of physicians about that subject. We have been told by people from the Association of American Medical Colleges that it was an important point for the curriculum.

So on that report we have a very wide distribution; on other reports, probably a smaller distribution.

TIMING OF LIFE

Senator SPECTER. Mr. Abram, do you think it might be useful for your Commission to study, after concluding the question about the time of death, when is the time that life comes into existence?

Mr. ABRAM. I think that's a theological question that we will probably never get into. We weren't commissioned to get into it, and we're not asking to. I think that is a matter that is going to have to be decided by every individual in his own conscience.

BUDGET REDUCTIONS

Senator SPECTER. On the reduction of the budget from 2.4——

Mr. CAPRON. It was 2.5.

Senator SPECTER. 2.5. That was the budget that had been proposed by President Carter?

Mr. ABRAM. That's correct, sir.

Senator SPECTER. And 2.2 is the budget proposed by President Reagan?

Mr. ABRAM. Right, sir.

Senator SPECTER. What is accounted for in the reduction of $300,000.

Mr. ABRAM. Professor Capron can tell you precisely where those cuts will occur. They'll be in areas such as travel, contracts, consultants. I don't think there will be a very serious cut in personnel, because we have an extraordinarily small and very cerebral commission and we're very understaffed.

So do you want to comment any further?

Mr. CAPRON. About $100,000 of that, sir, is coming from the compensation area. That reflects both some consultant compensation and the size of the temporary staff and the grade levels there. Another $30,000 is coming from the travel area, reflecting the 15-percent cut applied across the board to all agencies. A minimum of $100,000 also came out of the planned budget for publications.

PERSONNEL

Senator SPECTER. How many people does the Commission employ?

Mr. CAPRON. The Commission has 12 permanent positions.

Senator SPECTER. You're not talking about the Commissioners? Commissioners are not included in that category. Do they receive a per diem?

Mr. CAPRON. That's correct.

Mr. ABRAM. $170 a day.

Senator SPECTER. $170 a day. And expenses? What is that figure?

Mr. CAPRON. The expense figure is $75 per diem in Washington. They vary city by city, up to a maximum.

Senator SPECTER. Do the Commissioners reside all over the country?

Mr. CAPRON. Yes; they do.

Mr. ABRAM. And there's one in Puerto Rico, though I think that is in the country.

Senator SPECTER. Thank you very much. I note your record, Mr. Abram, which is an extraordinarily distinguished one. I notice you have three LL.D. degrees, from Davidson, from Yeshiva, from Tougaloo—are those all earned degrees?

Mr. ABRAM. Those that you've stated are honorary, sir.

Senator SPECTER. Which are honorary?

Mr. ABRAM. Tougaloo, Yeshiva, and Davidson.

Senator SPECTER. They're all honorary. I'm searching for your law degree. That's from the University of——

Mr. ABRAM. Chicago.

Senator SPECTER. Did they give you a doctor of jurisprudence at that time?

Mr. ABRAM. Yes; they were in advance of the thundering herd, Senator. I don't know why.

Senator SPECTER. Was Mr. Hutchins dean at that time?

Mr. ABRAM. He was president. He had a very dim view of degrees. I was just thinking as you posed the question, why is it that they were giving such an advanced degree to a mere lawyer? He once told me that he felt the A.B. was getting so depreciated that he felt it ought to be given with birth certificates so you could get that over with and get down to education.

Senator SPECTER. Maybe that's consistent with being a JD at that time in a law school.

Well, thank you very much. Do you have anything you'd care to add at this time.

Mr. ABRAM. I think not. If you have any further questions, we'll be happy to respond.

SUBMITTED QUESTIONS

Senator SPECTER. We do have quite a number of questions which will be submitted for the record.

As you heard me say, you'll be submitted a copy of the transcript and 15 days to make any additions or corrections. The subcommittee would appreciate it if you would submit the answers to the written questions at that time as well.

Mr. ABRAM. We will do so, sir.

Senator SPECTER. Thank you, Mr. Abram.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Travel

Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by government employees. A partial report recently revealed that government travel spending runs about $3 billion a year.

1. How many annual trips per capita are made per year by the President's Commission employees and Commissioners?

The President's Commission has eleven Commissioners. The Commissioners will each make ten trips to attend Commission meetings during calendar year 1981. In addition the Chairman will make four more trips to attend other Commission business (i.e., Senate Appropriation Hearings).

Commission employees will make the following trips during calendar year 1981: Executive Director, 12; Deputy Director, 6; Assistant Director for Medical Studies, 6; Assistant Director for Legal Studies, 6; Public Information Officer, 4; Health Policy Analyst, 4; Social Scientist, 4; Staff Ethicist, 4; Economist, 2.

2. How does the Commission's average length of trip, in days, compare to the government-wide average of 8.8?

The Commission's average length of trip is 2.3 days.

3. What is the actual average cost of trips made by Commission employees and Commissioners?

The actual average cost of trips (travel, hotels, food, etc.) made by Commissioners is $430. The average cost of trips made by Commission employees is $326.

4. What percentage of your trips accounts for:

- Operational or managerial activities - 0%
- Travel for training - 0%
- Informational meetings - 15%
- Conferences (Commission meetings) - 75%
- Speeches or presentations - 5%
- Special mission travel - 5%
- Relocation of employees - 0%
- Unknown reasons - 0%

5. Can you prepare for the record a tabulation of travel expenses for all recipients of Commission grants and contracts?

The expenses for FY 1981 recipients of Commission contracts (primarily for travel and related expenses in appearing to make presentations at public meetings of the Commission) are: Judith Swazey, $452.05; John Fleming, $1026.29; Robert Levine, $287.95; Daniel Brock, $230.50; Amy Gutmann, $215.69; Norman Daniels, $807.70; Irving Ladimer, $175.25; John Holloman, $300.00; Paul Starr, $410.65; LuAnn Aday, $400.00; Avedis Donabedian, $400.00; Leon Wyszewianski, $400.00; Bruce Vladeck, $300.00; Harry Schwartz, $300.00; Marshall Shapo, $446.14; James LoGerfo, $575.00; Mary Harvey, $172.50.

Contracts

1. How much of your contract costs were spent in the last month of Fiscal 1980? Why?

$21,000 were spent for contracts during the last month of FY '80. The Commission began staffing in January 1980. Contracts were let throughout the fiscal year. September 1980 was the time that the Commission was undertaking substantive studies that required expertise obtainable only through having studies done by experts in various fields directly related to Commission business.

2. How much of that was awarded for non-competitive contracts?

The entire $21,000 was awarded for non-competitive contracts.

3. How do you define competitive and non-competitive awards?

Competitive awards are those contracts where two or more sources are solicited and the contract is awarded to the better source. Non-competitive awards are those contracts where only one source is solicited or received and contract is awarded to that source. The Commission follows the usual practice of not awarding contracts for more than $10,000 on a non-competitive basis, unless a strong case has been documented for relying on a sole source. (Thus far, this has not been necessary).

4. Are there ever instances where only one application was received and you still considered the award to be competitive?

There were no instances where only one application was considered competitive.

Non-Competitive Awards

1. Please provide, for the record, a breakdown of non-competitive grants and awards to nationally-based associations, if any, in the past year.

During the past calendar year, the Commission has paid two non-competitive awards to nationally-based associations: American Arbitration Association, $4,000; and Medicine in the Public Interest, $3,000.

2. To the extent possible, please provide the same information thus far for FY 81, and your budget plan for Fiscal 1982.

To date the Commission has not awarded any non-competitive contracts from FY 1981 funds to nationally-based associations. We have no plans for any such awards in FY '82; our contracts are primarily with individual scholars and research institutions and for support services such as GSA, transcription services for the Commission's public hearings and the like.

Telecommunications in Lieu of Travel

1. What has the President's Commission done to encourage the use of conference calls, the exchange of videos, the use of telecopiers, and exchange of information by mail, as alternatives to travel?

The Commission makes use of the mail and telephone whenever possible, including conference calls. The primary reason for travel is attendance at Commission meetings.

2. Are the same travel savings being encouraged for Commission grantees and contractors?

Yes.

Printing and Reproduction Expenses

The Commission has requested $150,000 for printing and reproduction costs, exceeding the printing and reproduction allocations of even the Department of Education's Office of Civil Rights (which has requested $143,000).

1. What are the reasons for such large expenses?

The Commission will issue at least six, and perhaps as many as nine, reports during FY 1982 and the first three months of FY 1983. These will be distributed widely, and some will be quite lengthy, including appendices. Plans for an audio-visual presentation on the criteria for determining death are under consideration but may have to be set aside because of reductions from the appropriation level recommended by President Carter. We note also that other Commissions, such as the National Commission on Social Security and National Commission on Air Quality, also have large publication expenses.

Medical Libraries for Hospital Patients

At the present time, hospitalized patients have almost no opportunity to examine written materials and textbooks in regard to the disease or affliction from which they suffer. The majority of the information they receive comes from verbal communication with the doctor. Furthermore, most hospitals have medical libraries which are off limits to patients. The patient has less access to this information than a prison inmate has to law books. The more informed patient is less likely to be a victim of unnecessary surgery, saving many lives and millions of dollars.

1. Does your informed consent study include considerations for requiring Federally-assisted hospitals to maintain and make available a medical library for use by their hospital patients?

One of the major issues which will be addressed in the informed consent study has to do with the information patients want and need in order to make reasoned decisions about their care. In this regard, the Commission will examine the kinds and extent of information currently given to patients in various contexts under various circumstances. In addition, alternative methods for transmitting information in order to enhance comprehension will be studied. Written materials, audio cassettes, audio-visual materials, formal discussions led by non-physicians, and consultation with lay people who have undergone similar procedures are some of the methods which have been employed in the hopes of increasing patients' understanding.

According to testimony heard before the Commission by a representative of the American Hospital Association, neither that association nor the Joint Commission on the Accreditation of Hospitals has a policy which deals with questions of access to hospital libraries. The witness reported that these libraries are open to patients and others alike. In his own hospital, for example, anyone may use both the hospital library and the college library across the street. He knew of very few instances in which patients availed themselves of such resources. Some hospitals may limit access to stacks but not to information.

It is in this context that the questions posed about medical libraries for hospital patients might be explored. Existing hospital libraries tend to be very limited in size and scope. Normally there is no librarian on duty. Such libraries exist for the convenience of staff who need to look things up quickly, not as places for in-depth study. Whether patients would want and could truly benefit from the limited, technical information in hospital libraries or whether information can be transmitted more effectively through literature and other materials designed specifically for patients and reviewed by care-givers and patients together are empirical questions which could be examined.

2. If not, would you consider such a study to be appropriate?

We will examine the factual basis, as well as the practical implications, of this issue in the course of our study. The Commission feels it is appropriate not only to study how best to transmit information but to develop recommendations which will facilitate comprehension and encourage ongoing dialogue between patients and their care-givers. The mere existence of a library does not ensure this end. In fact, such a requirement may be viewed as a substitute for face-to-face communication. On the other hand, the fact that many hospitals have existing library resources which could be utilized to supplement information given to patients from other sources should not be overlooked.

Injured Subject Compensation

The Commission has been examining the possibility of compensating subjects who might have been injured in the process of conducting medical research. Despite the advice of the Commission's own consultant, as well as expert advice from the scientific community that no program was needed, the Commission voted to recommend a pilot program.

1. Where is the need and what is the demand for this study?

The Commission's review of the compensation issue was undertaken at the written request of the then-Secretary of Health and Human Services. Of course, insofar as persons who may become the victims of future research injuries cannot readily identify themselves or organize into lobbying groups or unions, there is less of a "demand" for governmental action than is true of workplace-related injuries or diseases, such as black lung. Rather, the impetus for government attention has come from members of the biomedical community who are concerned that research subjects not be left without redress in the event of serious injury.

The work of the President's Commission follows a number of previous governmental reviews of the issue of providing compensation for subjects injured in research. These prior reviews were unanimous in recommending institution of a compensation program, often a program of comprehensive scope and potentially expansive costs. The Commission quite deliberately sought the views of witnesses and consultants representing a variety of perspectives, including persons likely to evaluate critically any proposal for enlarged governmental activity. It is thus in no way surprising that some witnesses, and one consultant, advised against the institution of a compensation program. Other witnesses and consultants took the opposite view. (It should be noted that the consultant who advised against a program was retained specifically on the basis of his past and continuing relationship to the insurance industry to provide a pragmatic, indeed skeptical, view of the practicability of translating ethical responsibilities into insurance programs. He was neither charged with, nor qualified to express, an "expert" view on the ethical responsibilities of the government.)

2. What number of subjects would be affected by a compensation program?

The number of subjects participating in research conducted or supported by federal agencies is unknown. One of the recommendations this Commission is considering is that agencies be required to collect and retain reports on the number of subjects involved in each research project supported by that agency and the number of adverse effects noted. A rough estimate would place the total number of such subjects (conservatively) at approximately 2 million per year.

3. What existing government controls and Institutional Review Boards are now operating to protect research subjects?

All research supported by funds from the Department of Health and Human Services must be reviewed by an Institutional Review Board (IRB) to determine that the risks of the research are justified by the anticipated benefits to the subjects or to society (in the form of scientific knowledge). IRBs must also determine that procedures for assuring that subjects knowingly consent are adequate. Other Federal agencies follow the review requirements of HHS. However, nothing can protect absolutely against an unanticipated event. The nature of the research enterprise is such that the effects of certain drugs or interventions are unknown; that is precisely why they are undergoing evaluation. It follows, therefore, that no one can predict the nature and extent of adverse effects to which the subjects may be exposed. Regulations requiring sufficient animal and laboratory research prior to involving human subjects are aimed at reducing the "unknowns" to a minimum.

4. Does private insurance presently cover those subjects who are injured?

The Commission has been informed that health insurers do not exclude from coverage injuries resulting from participation in research. No further documentation has been received on this point. Assuming that research injuries are not subject to special exclusions, then those injured subjects who maintain adequate health insurance are covered for those aspects of medical costs within the scope of their health policies. It should be noted that the pool of research subjects includes large numbers of students, housewives, and unemployed persons who may not be adequately covered by health insurance. Further, there is no evidence that injured subjects are generally covered for disability, wage loss, or other (non-medical) out-of-pocket costs resulting from research injuries.

5. Do those subjects who are injured have remedies available through the courts?

Those injured subjects who can make out cases of negligence, lack of informed consent, or perhaps, in some cases, strict liability (as for drugs or devices) may have remedies available through the courts. However, much of the impetus for providing compensation through a non-fault based, administrative compensation mechanism flows from the formidable barriers facing injured subjects seeking relief in the courts, together with the fact that research involves inherent risks which are likely to eventuate in injuries even in the absence of negligence. Thus, injured subjects unable to prove a breach in the appropriate standard of care, foreseeability of injury, causation, or the absence of "assumption of the risk" are left without any remedy for their injuries. This is precisely the ethical dilemma of societal responsibility underlying the Commission's work on this project.

6. What reasonable chance is there for identifying an injury with the event?

Some of the adverse effects for which claims have been filed include: cardiac arrest following stress exercise; general infection following infusion of inadvertently contaminated blood platelets; hemorrhage following lung biopsy; broken teeth resulting from falls following blood extraction; puncture of an artery following removal of a catheter. The causal relation between the research and the injury was not in doubt or disputed. On the other hand, fever, headache, and nausea while engaged in a drug study may be difficult to attribute clearly either to the research or to intercurrent illness. Some problems reported (e.g. appendicitis, cerebral infarct during sleep in a subject on a placebo) are fairly easily disassociated from participation in research.

7. How much has the Commission spent on this study to date? What will be the entire cost of the study?

A total of $24,096 of Commission funds have been expended on the compensation study. No further expenditures for this study are anticipated.

Health Service Availability

The Commission is studying the differences in the availability of health services as determined by the income or residence of the persons receiving the services.

1. What is the status of this investigation?

Under its statutory mandate the Commission is studying the ethical and legal implications of differences in the availability of health services, not simply the existence of such differences. Commission staff have been involved in designing the project and in developing data and information for the last year. For an empirical basis, the Commission has turned to the findings--not always consistent--of existing health policy investigations. At the most recent hearing, witnesses testified on a range of issues related to the availability of health services and on the ethical principles and historical experience underlying the distribution of health care in this country.

2. To what extent have you coordinated your studies with HHS?

Commission staff have met with officials in the Office of the Assistant Secretary for Planning and Evaluation/Health to ascertain what information had been developed by that office and to avoid unnecessary duplication. The Commission also requested that a DHHS official discuss the Administration's work and plans in this area at the March hearing but the pressures of work on the budget modifications and the development of legislative proposals prevented such an appearance at that time.

3. Have you published any recommendations or statements on the study?

Although the study is underway, we have not completed our investigation and have not published any findings.

4. What is the goal of this study in terms of Federal policy?

The Commission hopes to be responsive to its Congressional mandate. We intend to illuminate the ethical dimensions inherent in health care delivery, and to provide a rational foundation for the enormous expenditures borne by the Federal government. Our recommendations will be relevant to legislation for health services delivery and financing which already exists, and to that which may be proposed.

Studies and Investigations

The Commission was directed by the House Appropriations Committee to make the fullest possible use of existing studies and investigations.

1. To what extent has the Commission utilized existing studies and investigations?

The Commission has relied heavily on existing studies and investigations. Briefing materials prepared for all the Commission's meetings, which typically run into hundreds of pages of reading for the Commissioners, draw heavily from existing studies, both those prepared by Federal and other governmental bodies and those of individual scholars and research organizations. For example, in considering the "Definition of Death," the Commission employed studies conducted by neurologists and neurosurgeons at leading medical centers across the country as well as a large collaborative study conducted with the sponsorship of the National Institute of Neurologic and Communicative Diseases and Stroke; only to the extent that information necessary to the Commission's recommendations had not previously been produced were new studies undertaken. Likewise, in compiling empirical data on the availability of health services, the Commission staff is drawing largely upon the following surveys conducted by DHHS: National Medical Care Expenditures Survey conducted by the National Center for Health Services Research; the Health Interview Survey and the National Ambulatory Care Survey conducted by the National Center for Health Statistics; and the Area Resource File and Health Area Resource Criteria File compiled by the Public Health Service. We also plan to rely on forthcoming information from the 1980 Census of the Department of Commerce.

2. What new studies and investigations has the Commission started?

The Commission has contracted for dozens of medical, scientific, economic, philosophical, sociological, and legal analyses of particular issues as part of its studies of the "Definition of Death," the adequacy and uniformity of federal regulations to protect human subjects, the development of a program to compensate for research injuries, the ethical and legal implications of differences in the availability of health services, of informed consent to health care, and of genetic engineering. Furthermore, in a few instances the Commission has undertaken itself or has contracted for the gathering of data in these areas. For example, the Commission has contracted with half a dozen medical institutions to perform the first investigation of the outcome of patients in respirator-assisted coma.

3. How much has the Commission spent on new studies and investigations?

To date the Commission has spent $91,830.

Commission Recommendations

1. What recommendations has the Commission published to date?

The Commission recommended changes in pending regulations on the protection of human research subjects to HHS Secretary Patricia R. Harris in September 1980. The Commission has not published any recommendations to date.

2. Explain how the Commission recommendations have or will result in policy or regulation changes in the Federal government?

The recommendations to Secretary Harris resulted in a basic change in the coverage of HHS regulations issued in January 1981. Recommendations on the "definition" of death, "genetic engineering" policies, and the compensation of injured subjects will be made during the current fiscal year. These will include recommendations for federal and state legislation (on death) and for federal policy (on research compensation and on "genetic engineering"). The scope or effect of any recommendations in the six to nine reports to be issued in the next fiscal year cannot now be predicted.

Completion Date

The Commission is mandated to report its findings to the President and Congress upon completion of its study by December 1982.

1. Will the Commission be discontinued at that time, or are there plans to continue the Commission beyond that date?

The Commission will issue reports on each study topic as it is completed. The Commission expects to finish its work by the end of 1982. No recommendation to continue the Commission is now under consideration.

SUBCOMMITTEE RECESS

Senator SPECTER. The subcommittee will now recess.

[Whereupon, at 3:55 p.m., Wednesday, March 11, the subcommittee was recessed, to reconvene at 3 p.m., Thursday, March 12.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, MARCH 12, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 3:35 p.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. James Abdnor presiding.

Present: Senators Abdnor and Specter.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF KENNETH E. MOFFETT, ACTING DIRECTOR

ACCOMPANIED BY:
NICHOLAS A. FIDANDIS, DIRECTOR OF MEDIATION SERVICES
ROBERT P. GAJDYS, DIRECTOR OF ADMINISTRATION
DANIEL P. DOZIER, ASSOCIATE GENERAL COUNSEL

SUBCOMMITTEE PROCEDURE

Senator ABDNOR. The subcommittee will come to order. Today we will hear testimony from 5 of our 12 so-called related agencies; the Federal Mediation and Conciliation Service, the National Labor Relations Board, the National Mediation Board, the Occupational Safety and Health Review Commission, and the Federal Mine Safety and Health Review Commission.

We will begin today with testimony from the Federal Mediation and Conciliation Service. Here to testify is Kenneth E. Moffett, the Acting Director of the Service.

Mr. Moffett, I would ask you to introduce all your associates and give us a brief overview of your Service's operations. If you have a statement we will be happy to submit the statement in its entirety into the record, or you can go ahead and read it, whichever you would care to do.

INTRODUCTION OF WITNESSES

Mr. MOFFETT. Thank you, Mr. Chairman.

On my right is Mr. Robert Gajdys, Director of Administration; on my left Mr. Nicholas Fidandis, Director of Mediation Services; on my far left is Mr. Dan Dozier, our Associate General Counsel.

I would like to give a brief overview of the Service. We are a small, independent agency that settles labor disputes. We have 80 field offices located throughout the United States staffed with 268 Federal mediators.

Our basic mission is that of dispute mediation. We are involved at the bargaining table in disputes between labor and management.

Approximately 100,000 30-day notices are received by our agency each year. We review these notices and make a determination on jurisdiction. Of the 100,000 notices, approximately 20,000 are assigned to our field mediation staff.

Of these 20,000 assignments, we actually go to the bargaining table in about 10,000 of these situations.

The most notable upcoming negotiations in the private sector will be in the coal, rubber, oil, electrical, and trucking industries.

We also conduct technical assistance programs with the parties in an effort to assist them at times other than during the crisis bargaining period.

We also participate in public information and educational activities with the parties.

We maintain a roster of some 1,400 arbitrators. When the parties send us a letter describing their need for arbitration, we send them a panel of arbitrators. A selection of one arbitrator from the provided panel is then made by the parties. We send some 30,000 of these panels out each year.

Approximately half of our staff is administration and management support. We also are involved in the age discrimination mediation project and the labor-management cooperation project.

As far as my statement is concerned, I would like to just put that in the record, if that is acceptable to you.

PREPARED STATEMENT

Senator ABDNOR. Without objection your entire statement will be placed in the record.

[The statement follows:]

STATEMENT OF KENNETH E. MOFFETT

Mr. Chairman and members of the subcommittee: As you know, FMCS is a small, highly specialized professional agency responsible for facilitating and promoting the settlement of labor-management disputes through collective bargaining.

FMCS is uniquely suited to help labor and management analyze problems in their relationships and work with them to address those problems. As a result, we have real opportunities to improve labor-management relationships.

The Service has managed its limited resources wisely. We have directed agency services towards the relationships in the greatest need of repair. Over the years the Service has had to consider many complex and realistic factors before deciding how to allocate our resources.

Our criteria is a result of over 30 years of rich experience in collective baragining as it has developed and changed in the United States. Unions and companies have learned to expect a reliable neutral and professional performance from the mediators in the Federal Mediation and Conciliation Service, and the Service has delivered that performance.

Our FY 1982 Appropriations request is designed to deal with the impact of inflation by making the most productive use of our personnel and financial resources.

For FY 1982, FMCS is requesting a total appropriation of $28,728,000; this is an increase of $2,052,000 over FY 1981 appropriation request.

The Service will need 527 permanent full-time positions in FY 1982 to meet increasing workloads in all program areas. This is an increase of 6 positions over our ceiling of 521 for FY 1981; this entire increase is in the implementation of the Labor-Management Cooperation Program.

Our five major program areas are:

1. Dispute mediation and related activities
2. Management and administrative support

3. Labor-management cooperation project
4. Arbitration services
5. Age discrimination mediation project

Workload increases in all of these areas are expected again in FY 1982.

1. Dispute Mediation

During Fiscal Year 1980 the Service closed a total of 26,512 dispute mediation cases involving 35,258 joint or separate meetings with the parties. FY 1982 will be an active year in collective bargaining. Major contracts (those covering bargaining units of 1,000 workers or more) involving more than 3.2 million employees will expire during the year. These include the auto industry, trucking and the rubber companies agreements. In addition, there will be important contracts expiring in the food, construction, health care, apparel, electrical and farm equipment and entertainment industries.

The corrosive effects of inflation which we've all felt over the last several years, and the uncertainty on the part of companies and unions as to the state of the economy cannot help but have a substantial impact on collective bargaining. These conditions will make mediation more difficult.

FMCS in recent years has acquired new responsibilities which substantially affect its operation. Public Law 93-360, enacted in 1974, requires FMCS to provide mediation services to all private health care institutions. As part of this, FMCS makes the determination of whether a board of inquiry is needed to settle a deadlocked dispute. In the five years since the enactment of the health care amendments FMCS has handled over 9,000 health care cases. The Service has assigned a mediator to nearly all of these cases.

Our main effort in these negotiations is to encourage the parties to settle on their own. We try to make sure that meetings with the parties are held before a board of inquiry is convened. The results have been encouraging; the percentage of negotiations resulting in strikes is only about four percent in this industry.

The federal sector is another expanding area of the Service's dispute mediation program. Executive Order 11491, establishing collective bargaining in the federal sector and directing FMCS to provide its services to federal agencies and their unions, was written into Public Law 95-454 on October 13, 1978. At the end of FY 1980, FMCS had closed 590 cases in the federal sector.

A mediator on our national staff coordinates federal sector activities and makes certain that the Service is aware of new developments. We run periodic training workshops to insure that all of the mediators are schooled in the special requirements of federal sector bargaining.

Disputes involving public employee unions and state and local governments are commanding an increasing share of the Service's attention. Severe budget restraints have created difficult problems for public sector bargaining. Public sector unions and state and local governments are seeking FMCS assistance in increased numbers in public employee disputes, thus adding to the heavy demands on our mediator workforce.

The Service closely monitors collective bargaining situations in a number of industries critical to the Nation's economy; these include energy, construction, and food. In keeping a close watch and actively participating at the earliest stages of negotiations--as well as during the life of the contract--we feel that strikes having serious adverse impact on the economy can be averted.

An essential part of the mediation effort is to provide the parties with technical assistance, preventive mediation mechanisms and public information activities. Through these programs, mediators help labor and management develop better relations. These include formulation of area and industry-wide labor-management committees, foreman-steward training programs, consultation and liaison work with company and union officials, and incorporation of a Relations-by-Objective (RBO) program into a company. FMCS expects to close about 1,700 technical assistance cases in FY 1982. The majority of these cases are initiated at the request of the parties, but the Service volunteers its help when it feels a collective-bargaining relationship needs an assist. The Service feels that if technical assistance programs can help defuse explosive situations, substantial savings will result for the Nation's economy.

2. Management and Administrative Support

FMCS' management and administrative support function affects all of its program areas. The staff includes employees at the regional, field, and national levels. Major support duties include personnel management, budget and financial management, automatic data processing, administrative services, legal services, research and development, planning and evaluation, training, and internal audit activities.

In the interest of increased productivity, FMCS created an Office of Special Services in FY 1979. This office is responsible for conducting ongoing audits and reviews of program operations at the national and regional office level. OSS representatives examine areas of program performance and make recommendations for changes or improvements. This program provides a set of standards ensuring effective and efficient agency operations.

3. Labor-Management Cooperation Project

Under the Labor-Management Cooperation Act of 1978, FMCS is authorized to provide assistance and grants for the establishment and operation of plant, area, and industry-wide labor-management committees. The first $1 million in grants was included in FMCS' budget in FY 1981, and was announced to the public December 22, 1980. We are now receiving applications for our FY 1981 cycle and expect that in FY 1982 we will be able to award 20 grants. Our grants program is designed to assist the establishment of new committees and the continuation of existing committees at three levels: the area-wide or community labor-management committees; the industry-wide committees; and the in-plant or single location or company plant committees.

These arrangements provide a forum for the consideration by labor and management of their mutual problems away from the heat of the collective bargaining table.

These committees, many of which already are in existence with the help of FMCS mediators, are proving their worth in helping to improve labor-management relations. They are, in several cases, helping to improve productivity.

4. Arbitration Services

The Service's main arbitration function is to provide panels of qualified private sector arbitrators to the parties on request. By the close of FY 1980, the Service had received 29,906 requests for panels, more than double the number of FY 1972. This growing demand is expected to continue through FY 1982.

To provide panels of high quality, FMCS continually checks its roster of arbitrators to make sure that the data is current and accurate, and that each member meets the highest standards of ethical and professional conduct.

5. Age Discrimination Mediation Project

As a result of the Age Discrimination Act of 1975, the Department of Health and Human Services designated FMCS as the agency responsible for providing mediation assistance to those discriminated against based on age in any programs and activities receiving federal aid.

The Service expects a workload level of about 300 cases in FY 1982. Because of time constraints imposed by law for resolution of these complaints, mediators must be available to contact the parties promptly. We expect that our mediators' efforts will greatly reduce the number of complaints referred back to the affected agencies for enforcement proceedings.

Mr. Chairman, I will be happy to respond to any questions you may have.

FMCS PROGRAM STRUCTURE

I MEDIATION SERVICES
  - A. DISPUTE MEDIATION
  - B. TECHNICAL ASSISTANCE
  - C. PUBLIC INFORMATION

II ARBITRATION SERVICES

III MANAGEMENT AND ADMINISTRATIVE SUPPORT

IV AGE DISCRIMINATION MEDIATION PROJECT

V LABOR-MANAGEMENT COOPERATION PROJECT

FMCS WORKLOAD
FISCAL YEARS 1980 - 1982

	FY 1980 ACTUAL	FY 1981 ESTIMATED	FY 1982 ESTIMATED
TOTAL DISPUTE CASE ASSIGNMENTS IN PROCESS	32,455	33,100	34,400
JOINT MEETING DISPUTE CASES CLOSED	10,299	10,800	11,100
TECHNICAL ASSISTANCE CASES CLOSED	1,132	1,500	1,500
PUBLIC INFORMATION CASES CLOSED	1,085	1,200	1,150
ARBITRATION PANEL LISTS	33,327	38,050	43,750
ARBITRATOR APPOINTMENTS	13,911	16,750	19,250
AGE DISCRIMINATION MEDIATION CASES CLOSED	56	200	300
LABOR-MANAGEMENT COMMITTEE GRANTS	-	10	20

BREAKOUT OF TOTAL BUDGET

	FY 1981	FY 1982
PERSONNEL COMPENSATION AND PERSONNEL BENEFITS	73%	67%
TRAVEL	6%	6%
RENTS, COMMUNICATIONS AND UTILITIES	14%	15%
LABOR-MANAGEMENT COOPERATION PROJECT	4%	9%
OTHER	3%	3%
TOTAL	100%	100%

KENNETH E. MOFFETT

Acting Director
Federal Mediation and Conciliation Service

Kenneth E. Moffett has been Acting Director of the Federal Mediation and Conciliation Service since January 2, 1981. He was designated to that position by Wayne L. Horvitz who resigned as Director on January 1, 1981. Mr. Moffett was appointed Deputy Director of FMCS on June 2, 1977 by Director Horvitz. Prior to that time he served as the Director of Mediation Services for five years.

Mr. Moffett, born in Pennsylvania, served in the U.S. Navy. Following his honorable discharge, he attended and graduated with a BS degree from the University of Maryland in 1958. From 1958 to 1961, he served as an International Representative for District 50, United Mine Workers of America.

Commissioned a mediator with FMCS in 1961, Mr. Moffett was stationed in Washington, D. C. for a year and in Cleveland for five years. In 1967, he was appointed a troubleshooter to mediate disputes of national significance out of the Washington, D. C. national office.

In 1969, former director J. Curtis Counts designated Mr. Moffett as his Special Assistant. During this period, Father Leo C. Brown, S.J., Chairman of the Atomic Energy Labor-Management Relations Panel, named Mr. Moffett executive secretary of the panel. He resigned from that position in September 1978.

Mr. Moffett is a member of the Society of Professionals in Dispute Resolution, and held the office of president for the 1975-1976 term.

NICHOLAS A. FIDANDIS

Director of Mediation Services
Washington, D.C.

Nicholas Fidandis was appointed as the Director of the Office of Mediation Services in August 1979 by Wayne L. Horvitz. He had been serving as the Associate Director of that office since June 1977.

Nick was appointed a Commissioner of Mediation in 1966, and served in the Cleveland, Ohio, and Washington, D.C., offices as a field mediator until his appointment as a National Representative in 1973 by then Director, W.J. Usery. Since 1974, he has also served as FMCS liaison with the Joint Labor-Management Committee of the Retail Food Industry, a private national industry committee.

Prior to joining FMCS in 1966, Fidandis was President and Business Representative of the Radio and Television Department, Washington, D.C. Branch, International Alliance of Theatrical & Stage Employees, for six years.

Fidandis is a native of Brooklyn, N.Y., and has a degree in economics from George Washington University. He served in the U.S. Navy for four years. He is married, with two sons, and resides in Springfield, Virginia.

ROBERT P. GAJDYS

Director of Administration
Washington, D.C.

Robert Gajdys has been a career government employee for twenty-two years. Before being appointed Director of Administration in August 1976, he served as Deputy Director, Office of Program Development and Accountability at the Labor Department. Prior to this time he spent six years moving through a series of administrative and managerial positions in the Department of Interior and its Bureau of Indian Affairs including the position of Deputy Director of Indian and Territorial Development for the Department. For several years he was a Senior Personnel Specialist for the U.S. Civil Service Commission on a Presidential Task Force. For seven years he served in various personnel management positions in three Department of Army field installations.

In two separate years he received the Interior Department's outstanding performance award. He was also nominated twice for the Rockefeller Public Careers Award as one of the Nation's top 10 Federal civil servants. He was the recipient of the Department of Army's Certificate of Merit.

He has a BS degree with honors from George Washington University, with a major in business administration. He has also attended the University of Scranton and Siena College in Albany, New York. He worked as a management advisor for a retail firm in Schenectady, New York, before becoming a government employee and served as a Personnel Sergeant in the U.S. Army in Germany.

He is an American Indian and advisor and consultant to national Indian organizations, tribal governments and foreign governments on native rights and issues.

He is a lecturer at local colleges, universities and governmental seminars on various management and administrative matters.

DANIEL P. DOZIER

Associate General Counsel
Washington, D.C.

Daniel Dozier was appointed in November 1979 as the associate general counsel of the Federal Mediation and Conciliation Service.

From 1971 to 1973 Mr. Dozier was assistant general counsel of the United Automobile Workers International Union. In 1974 he became executive assistant to Mayor Coleman A. Young, Detroit, responsible for the management, budget and labor relations department.

In 1976 he became the platform committee coordinator for the Labor Coalition Clearing House, a group of nine unions. In February 1977, Mr. Dozier was appointed director of congressional liaison for the Department of Health, Education and Welfare.

Mr. Dozier is a graduate of Wayne State University and holds a BA in history and a law degree from Wayne State University Law School. In 1970 he was a recipient of the University's Center for Urban Studies Fellowship Award.

GAO REPORT

Senator ABDNOR. A recent GAO report looked at the Federal Mediation and Conciliation Service role in minor disputes. It states that mediation of State and local public employee disputes is of questionable legality. The GAO cited sections of the Taft-Hartley Act which specifically exclude by definition State and local government from coverage.

Now, what is your basis for mediating these disputes?

Mr. MOFFETT. I would like to take each one of the points that you mentioned, sir.

As far as the so-called minor disputes or small cases are concerned, the Service exercises the same jurisdictional policy in each of our eight regions throughout the United States.

As far as the so-called minor cases are concerned, we feel that the number of employees in the bargaining units is not the determining factor, but rather the impact on interstate commerce, the impact on the community, or the impact on national defense.

Senator ABDNOR. Do you take all State and local disputes, or do you select some?

Mr. MOFFETT. I think you may be confusing the so-called minor disputes or small cases with the State and local disputes.

The so-called minor disputes are in the private sector.

As far as the public sector disputes are concerned, the only public sector disputes we get into are in those States that do not have active mediation services.

Senator ABDNOR. Where they do, you stay out?

Mr. MOFFETT. We usually stay out of cases in States that have viable mediation services. We do not normally get into any public sector disputes in New York, Connecticut, Michigan, Wisconsin, California, New Jersey, or any States with a comprehensive labor law, and where a mediation service is functioning, except in extreme circumstances.

Senator ABDNOR. What did it cost the Federal Government to have your agency mediate State and local public employee disputes last year?

And how much money are you budgeting to mediate this type of dispute in 1982?

Mr. MOFFETT. Public sector cases, including Federal sector cases, represent about 7 percent of our workload.

Senator ABDNOR. That's 7 percent of the caseload of your funds go for mediation in the State and local——

Mr. MOFFETT. That figure includes the Federal sector. We combine the two frequently.

Mr. GAJDYS. Excuse me, Mr. Chairman, I would like to add that 7 percent is an approximate figure of our workload. That does not relate to 7 percent of our finances. We do not break our budget out specifically for that. We anticipate that workload in these sectors will continue to comprise between 6 and 7 percent of total active caseload in fiscal year 1982.

LABOR-MANAGEMENT COOPERATION PROJECT

Senator ABDNOR. In the statement that you submitted for the record, you indicated that in December 1980, public announcement was made of a new $1 million labor-management committees grant program.

We were wondering how many labor-managment committees are already in existence, and how are they helping to improve productivity in labor-management relations?

Mr. MOFFETT. There are hundreds of labor-management committees around the United States. There are basically three different kinds. There are areawide labor-management committees, such as Jamestown, N.Y.; Youngstown, Ohio; Evansville, Ind.; cities of this scope. There are approximately 26 of these areawide committees in existence.

There are also in-plant committees, such as the labor-management committee at the Sparrows Point plant in Baltimore, Md., which is another type.

Finally, there are also labor-management committees for an entire industry, such as in the retail food, construction, and steel industries.

Senator ABDNOR. To what extent will labor-management committees grant programs suffer curtailment with the Reagan program for fiscal 1982?

Mr. MOFFETT. How much will it be curtailed?

Senator ABDNOR. Yes; how much will it be curtailed?

Mr. MOFFETT. The program has been eliminated.

Senator ABDNOR. Completely?

Mr. MOFFETT. It has been completely eliminated. That does not mean that mediator involvement in labor-management committees will be discontinued.

What has been eliminated is the grants program.

Senator ABDNOR. What can you do to encourage more voluntary programs?

Mr. MOFFETT. When FMCS mediators are involved in labor disputes, they assess the need for better communications amongst labor and management. If our mediators reach the conclusion that a committee could improve the situation, they suggest to both labor and management the possibility of setting up a joint labor-management committee. This is what we do to foster labor-management cooperation.

OTHER BUDGET REVISIONS

Senator ABDNOR. Let me ask you, what other changes between your original fiscal 1982 budget request and your revised request under the Reagan administration, are there?

Mr. GAJDYS. Mr. Chairman, the Service's original fiscal year 1982 appropriation has been reduced by 51 permanent positions and $3,653,000.

The labor-management grants program has been eliminated in fiscal year 1982. We have already submitted a rescission for the startup of that program in fiscal year 1981.

And 12 positions have been cut from the 1982 budget. This amounted to $2,484,000.

We also have cut $267,000 from our age discrimination mediation project. We are hopeful that we will be able to maintain some of the activity in that area, but we will be absorbing it within our regular appropriation.

In addition, 33 of the 51 permanent positions described above have been cut from our regular programs in fiscal year 1982 with a savings in personnel compensation and related benefits of $358,000.

There has also been a $265,000 cut in our travel; a $139,000 cut in our office space rental; a $72,000 cut in our communications and utilities; and a small reduction in other object classes throughout our budget of $68,000.

That, in summary, is the total magnitude of the Reagan administration cuts that were brought to the Hill this past week.

SUBMITTED QUESTIONS

Senator ABDNOR. I have just been informed that Senator Specter is on his way. He would like an opportunity just to ask a couple of questions.

So, if you don't mind, we will have a brief recess until he arrives.

I guess we are going to have to take a longer recess, I have to go and vote. We have some additional questions to be answered for the record. Please provide the answers at the same time you return the corrected hearing transcript.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

GAO REPORT

Question: A recent GAO report "The Federal Mediation and Conciliation Service Should Avoid Mediating Minor Disputes" states that "Mediation of state and local public employee disputes is of questionable legality." GAO cited sections of the Taft-Hartley Act which specifically exclude, by definition, state and local governments from coverage. Please provide a detailed explanation of FMCS jurisdiction in public sector disputes.

Answer: Section 203 of the Taft-Hartley Act (29 U.S.C. section 172) gives FMCS jurisdiction to mediate disputes involving state and local public employees.

The jurisdiction of the Service is stated at section 203(a) of the Taft-Hartley Act, as follows:

> "It shall be the duty of the Service, in order to prevent or minimize interruptions of the free flow of commerce growing out of labor disputes, to assist parties to labor disputes in industries affecting commerce to settle such disputes through conciliation and mediation." (Emphasis added.)

In sum, the Taft-Hartley Act establishes three distinctions in regard to the jurisdiction of the Service: jurisdiction may extend to (i) "labor disputes" (and "parties" to them), (ii) involving any "activity", (iii) which "tends" to burden or obstruct commerce. It is now well established that the activities of state and local governments may burden or obstruct commerce. (Maryland v. Wirtz, 392 U.S. 194 (1968). Indeed, the broad range of products produced and services provided by a modern governmental entity are well within the contemplation of the "commerce" definition.

Moreover, since 1973, the annual budget submissions of FMCS to Congress have included detailed reports of state and local public sector mediation activities. The testimony of FMCS officials before the Congress has been explicit in regard to the policy adopted by FMCS. In addition, the annual reports of the Service, submitted pursuant to Section 202(c) of the Taft-Hartley Act, have given detailed reports of state and local public sector mediation activities.

Congress regularly implements its views through the appropriations process. U.S. v. Dickerson, 310 U.S. 534 (1940). Congressional action in the budget process can be very helpful in interpreting statutes not totally clear on their face. Congress has given its approval to FMCS public sector mediation every year since first requested by the Service to do so.

Finally, there are major differences between the effect of the NLRB asserting jurisdiction in a labor-management relations dispute, and the FMCS asserting "jurisdiction." Unlike the NLRB, the FMCS furnishes only voluntary assistance. The Service neither enforces rights nor regulates, neither investigates nor prosecutes. No governmental unit diminishes its sovereignty by using FMCS assistance, nor is there any penalty for declining to accept mediation assistance. Rather, the use of FMCS services remains at the discretion of the parties.

Question: What percentage of your public sector cases are in states which have their own mediation services?

Answer: The Service does not normally participate in public sector dispute cases in states which have their own mediation services.

Question: In its recent report, GAO recommended establishing a system to account for the resources used on individual and total dispute mediation, technical assistance, and public information activities. It also recommended that this information should be used in preparing budget submissions to the Congress. What is your status in complying with these recommendations?

Answer: The Service believes that the GAO recommendation regarding the establishment of a resources accounting system is based on an inadequate understanding of the Agency's function and a superficial review of our staffing system. This Agency instituted in 1978 a comprehensive Service-wide workload analysis and staffing program which monitors the distribution and utilization of the mediator work force on a continuing basis. On an annual basis, workload statistics based against a five-year prior history are reviewed and adjustments made annually reflecting a comprehensive analysis of this data. Such adjustments may include transfers of personnel, adjustment of field office boundaries and/or realignment of staffing geared to distributing available resources in the most cost effective and efficient manner.

Additionally, since 1979 the Service has initiated an internal audit function based on GAO's standards which addresses the questions of program effectiveness, efficiency and economy of operations and compliance with regulations and policies. This audit process collects and analyzes data necessary to validate our current statistical measurement system as well as the proper allocation of our available resources through an integrated measurement--planning--budgeting system.

Finally, as part of the Civil Service Reform Act of 1978, the Service now has in effect a new mediator appraisal and evaluation system which addresses the question of the quality of the mediator's work output as well as the question of quantity.

Question: The Mediation Service's accounting system has not been approved by GAO. What are your plans for submitting your system for GAO review and approval?

Answer: The Service's accounting principles were approved by GAO in 1969. During FY 1980 the system was submmitted to GAO. Presently GAO and FMCS officials are working together on the system and it is expected that the accounting system will gain approval shortly.

LABOR-MANAGEMENT COOPERATION PROJECT

Question: You indicated that in December 1980, public announcement was made of a new $1 million labor-management committees grant program. How many applications have been received, and how many awards will be made?

Answer: As of March 10, 1981, over 200 application requests have been received. It was anticipated that 10 grants were to be awarded in FY 1981.

Question: What criteria are being used in selection of grantees?

Answer: Grantees would have been selected on the basis of the need and justification addressed by the project and the degree to which appropriate goals and objectives would have been developed to meet such concerns. The feasibility and thoroughness of the proposed plan and its cost effectiveness and fiscal soundness would have been considered.

LABOR DISPUTES

Question: What is the outlook for major upcoming labor-management negotiations?

Answer: FY 1982 will cover the first year of the normal three-year cycle of major contract expirations. These will include contracts covering the oil, trucking, rubber, electrical and automobile industries, as well as significant food, health care and construction industry contracts.

Question: Where do you see the greatest likelihood of strikes?

Answer: It would be pure speculation on our part to predict where strikes will occur in FY 1982. However, there is no doubt that the condition of the general economy, as well as the economic health of the company or industry at the particular time a contract is being negotiated are strong determining factors.

Question: To what extent do you expect inflation to be increased by wage settlements to be negotiated in fiscal 1982?

Answer: Carrying out our mission as impartial neutrals precludes us from making judgmental comments on the impact of any particular wage settlement.

Question: In creating the Federal Mediation and Conciliation Service, Congress established a two-tiered jurisdiction of the Service: (1) in any industry affecting commerce where a labor dispute threatens to cause a substantial interruption of commerce, and (2) where state or other conciliation services exist, the Service is directed to avoid mediating disputes which would have only a minor effect on interstate commerce. What steps have been taken to comply with this Congressional limitation on your agency's jurisdiction?

Answer: The strict language of the Taft-Hartley Act states that FMCS may proffer its services whenever, in its judgment, a dispute threatens a "substantial" interruption of commerce and should avoid disputes having only a "minor" effect on commerce if a state or other service "is available." Nowhere in the law or the legislative history, however, can one find a precise definition of what Congress meant in its use of these terms.

The FMCS has, over the years, developed a pattern of service to the labor-management community which meets the needs of that community and, we believe, of the economy at large. This is reflected in the carefully developed criteria the Service uses for screening cases.

These criteria provide a realistic guide within which to make a judgment to intervene or not in a particular case. They have been examined over and over again by OMB and the Congress. FMCS can hardly be accused of excessive intervention, when we receive 100,000 notices of private sector disputes each year, monitor only 20 percent of them and participate actively in only 10 percent.

The Service has developed working relationships and informal understandings with state mediation services to permit all agencies to carry out their responsibilities to the parties they serve and to themselves.

The Service policy with respect to the jurisdiction of state agencies is to carry out the Federal mandate with due regard for the comprehensive and uniform scheme of regulation which Taft-Hartley establishes and for the integrity of state agencies, to reduce unserviced disputes requiring mediation, and to minimize duplication of effort. The elements of that policy, which form the basis of the existing informal agreements with the states, are as follows:

1. FMCS is responsible for the mediation of labor disputes which threaten a substantial interruption of interstate commerce. A dispute which involves or directly affects an enterprise which meets (or would meet) the jurisdictional standards of the National Labor Relations Board is deemed to threaten substantial interruption of interstate commerce.

2. The state agency is responsible for mediation of disputes having a minor effect on interstate commerce, regardless of the level of impact on intrastate commerce, when the state service determines that it is able to provide mediation services to the dispute.

3. FMCS is responsible for the mediation of disputes having minor impact on interstate commerce when there is no state agency or when it is determined that the state is unable to provide such services in a timely manner. The state may designate particular industries, geographic areas, or types of disputes as not having mediation services available and may notify the Service of a dispute outside of those categories for which it is unable to furnish services.

4. FMCS is responsible for the mediation of all disputes involving private health care institutions. The state agency is responsible for the mediation of all non-Federal public health care disputes. Whether a health care institution is public or private is determined by the standards used by the NLRB.

5. The expressed wishes of the parties are taken into account in making mediation assignments but are not determinative. If the parties request the Federal service in a dispute for which FMCS is not initially responsible, FMCS will determine that state or local services are not actually available, by direct contact with the state service if necessary, prior to entry.

6. FMCS and the state agency will designate liaison officers and will discuss and resolve questions of jurisdiction, assignment, and technique consistent with this policy.

Question: How does the Federal Mediation and Conciliation Service accurately measure and analyze employee productivity taking into account complexity and lengthiness of different cases?

Answer: In addition to remarks submitted to the question on our status regarding compliance with GAO recommendations on resources accountability, the Service, as part of its internal audit system previously described, also evaluates those factors which impact on the total workload of our mediator work force. These factors include such questions as the general level of difficulty of disputes, their impact and influence on other disputes, travel time, and cyclical patterns of contract expirations. Additionally, more accurate data derived from revised reporting procedures are also utilized.

Question: What is the workload outlook in the non-Federal public sector?

Answer: Non-federal public sector dispute caseload will increase from 624 joint meeting cases closed in FY 1980 to 750 joint meeting cases closed in FY 1982.

Question: What portion of your total resources is devoted to the public sector?

Answer: Total public sector dispute caseload (federal and non-federal) encompasses approximately six to seven percent of total caseload. The Service does not break out its funding resources separately for the public sector.

TRAVEL

Question: Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by government employees. A partial report recently revealed that government travel spending runs about $3 billion a year. How many annual trips per capita are made per year by your employees? How does your agency's average length of trip, in days, compare to the government-wide average of 8.8? What is the average cost of trips made by your employees? What is the actual average cost per trip? The government-wide average is $176? What percentage of your trips accounts for:

- operational or managerial activities?
- travel for training?
- informational meetings?
- conferences?
- speeches or presentations?
- special mission travel?
- relocation of employees?
- unknown reasons (blanket authority to employees)?

Answer: Travel expenditures by FMCS employees are captured by organizational unit and by program activity. Expenditures on a per capita or trip-by-trip basis are not summarized. To report Fiscal Year 1980 figures on a per capita or trip-by-trip basis would require a massive undertaking which would include examination of monthly vouchers of approximately 300 travelers. With a staff of only three voucher examiners, it would take weeks to compile this information from the approximately 3,600 vouchers affected.

The data listed below represents approximate percentages of travel expenditures by category for Fiscal Year 1980.

	Percentage
Operational or Managerial Activities	73
Travel for Training	18
Informational Meetings	2
Conferences	3
Speeches or Presentations	1
Special Mission Travel	2
Relocation of Employees	1
Unknown Reasons (Blanket Authority to Employees)	0
Total	100

20 PERCENT REDUCTION

Question: The Senate Human Resources Committee has recommended in its March 15 report to the Budget Committee a 20 percent cut in the Service. What would be the impact of a 20 percent cut below your Fiscal Year 1981 appropriation?

Answer: The Federal Mediation and Conciliation Service is a small, highly specialized professional agency established pursuant to the Taft-Hartley Act (P.L. 86-257 as amended) to mediate labor disputes in the United States. The Service provides mediation in industries affecting interstate commerce. In Fiscal Year 1980 FMCS actively mediated over 10,000 labor disputes.

The Service is already operating at a bare-bones level. The Service has reduced its authorized permanent positions from 575 in FY 1977 to 476 in FY 1982. Reductions have totalled over 17% in the agency workforce during a period when agency caseload has increased in both numbers and complexity. The agency has worked diligently to increase its efficiency without disrupting its statutory mission. Productivity has been boosted. Administrative overhead has been reduced.

Under the revised FY 1982 budget request, the Service does not have a grants program. The agency is composed of professionals and support personnel, and 97% of the FY 1982 budget is for three major items; personnel, which is 75% of the agency's budget; travel, which is almost totally program related and accounts for 6% of the budget; and rents, communications, and utilities, which account for 16% of funds. A 20% cut would require a cut in personnel and therefore drastically reduce the Service's ability to deliver mediation services.

As indicated above, FMCS has very few discretionary expenses. A 20% cut in the agency appropriation would result in a reduction of personnel. Reductions in personnel would have to come from the largest single pool of personnel, mediators. Cutting the number of mediators available to the agency would necessarily reduce the number of labor disputes in which the agency becomes actively involved. While productivity gains have been made over the past years as a result of improved management, a reduction in workload in the order of the magnitude of 20% would have a disastrous effect on the ability of the Service to provide mediation services to labor and management. Approximately 20% of cases presently mediated by the agency would not be mediated after the proposed cut. More significantly, half of the potential strikes now prevented would occur, thereby increasing the number of individual work stoppages by almost 50%.

What does a 20% reduction in people and a 20% reduction in cases mediated really mean? The Federal Mediation and Conciliation Service mission is to mediate labor disputes. Effective mediation of labor disputes prevents strikes, minimizes the length of strikes which have already begun, and helps the parties to collective bargaining agreements stabilize their relationships. This results in a direct and lasting impact on our economy. Productivity increases with fewer strikes. When mediation helps labor and management understand each other, our Nation's basic economic strength is improved. Mediation is one of the most effective methods for government to help industry and labor resolve disputes and increase productivity. Effective mediation is more of an investment in our Nation's economy than an expenditure.

NATIONAL LABOR RELATIONS BOARD

STATEMENT OF JOHN H. FANNING, CHAIRMAN

ACCOMPANIED BY:
WILLIAM A. LUBBERS, GENERAL COUNSEL
JOHN E. HIGGINS, Jr., DEPUTY GENERAL COUNSEL
MELVIN J. WELLES, CHIEF ADMINISTRATIVE LAW JUDGE
LEE D. VINCENT, COMPTROLLER

SUBCOMMITTEE PROCEDURE

Senator SPECTER [presiding]. The subcommittee will come to order.

We are pleased to have with us Mr. Fanning, Chairman of the National Labor Relations Board.

We are under very heavy time constraints, Mr. Fanning, because the process of this subcommittee's activities have been cut into by the fact that the Appropriations Committee as a whole had a meeting today at 2 o'clock and ran over. And we are under time limitations, because there have to be reports out by the Budget Committee by March 15. We had considered postponing these sessions until tomorrow, but rather than doing that we decided to go ahead.

PREPARED STATEMENT

Mr. Abdnor, who had been chairing these meetings has gone off for a vote. There is going to be another vote in about 30 minutes, and there are going to be four more votes. And, what is going to happen this afternoon is, it is going to be very distended. So, my suggestion is that we make your statement a part of the record, which is the customary approach, and that you respond to the question which is uppermost on the minds of many of us, and that is:

What effect will the 20-percent proposed cut have on the operation of your agency, to get to the central part of the issue which I think confronts your board and is a concern to this subcommittee.

Before doing that, however, will you introduce the gentlemen who are with you, so we may have their presence noted for the record.

[The statement follows:]

STATEMENT OF JOHN H. FANNING

Mr. Chairman and distinguished members of the Subcommittee: I appreciate this opportunity to appear before you as Chairman of the NLRB to present the budget request for Fiscal Year 1982. As is standard procedure, we have already submitted to you a detailed written Fiscal Year 1982 Justification. However, as you know, the entire FY 1982 budget is under review and all estimates contained in our submission are subject to change. But, with your permission, I would like to touch briefly on some of the significant highlights of that justification and make a few other observations as well.

The Fiscal Year 1982 request is for an appropriation of $132,831,000. This is an increase of $9,805,000 over the total appropriation plus pay act requested for Fiscal Year 1981 and represents an increase of about 168 staff-years of employment over Fiscal Year 1981. The total increase is less than 8.0% over our 1981 request plus pay act costs, this despite a 31% increased charge by the General Services Administration for the Agency's space rental obligation.

The Budget estimates that case intake will increase to a new record level. Fiscal Year 1980 unfair labor practice case intake exceeded the intake for the 12 months of the previous year by over 7.1%. In 1981, we expect a total of 46,745 unfair labor practice cases, a 5.7% increase. In 1982, total unfair labor practice case intake is estimated to exceed 48,900 cases, up another 4.6%. Total representation cases will rise about 1,264 between 1980 and 1982, an increase of about 9.4%. The combined total 1982 case intake is estimated to be a record 63,630 cases of which this budget estimates we will close about 60,500 cases. Unfair labor practice cases pending will increase by over 9,700 cases between fiscal year-end 1979 and 1982. The increase in 1980 was about 2,700 cases and we expect additional increases in pending of about 3,900 and 3,100 cases, respectively, in 1981 and 1982.

As you know, the historic objective of the National Labor Relations Board is to process, each year, the approximate equivalent of all of the cases voluntarily filed with the Agency that year. Allowing an increase in pending cases of this magnitude is a step taken with great reluctance by the Administration and unprecedented in our history.

The NLRB's caseload is largely outside of our meaningful control. All of the charges and petitions filed with us are filed voluntarily by outside parties. But we are required by statute to resolve the disputes which affect commerce and, by so doing, to minimize potential and actual disruptions to the national economy. It is this function, which I feel we discharge in an exceptional manner, wherein lies the crux of the critical contribution made by the National Labor Relations Board to the smooth and efficient operation of our economy. The record of the Agency's prudent use of its resources in in the performance of this function is clear. For instance: during the period between end-of-Fiscal Year 1970, when NLRB employment was 2,105 people and total case intake was 33,582, to end-of-Fiscal Year 1979 when the NLRB employed 2,921 people and total case intake was 54,907; the Agency's total employment increased less than 39% while its total case intake rose 63.5%. Because end-of-Fiscal Year employment fell in 1980 to 2,825, the 1970 to 1980 employment and total case intake comparisons, as cited on page 8 of the Agency's narrative Justification, are 34% and 71%, respectively. In fact, I am here before you as Chairman of an Agency which, if it were operating at its 1970 level of productivity, would require as many as 540 additional people beyond the current budget request which contemplates the NLRB not exceeding 3,065 people. This level, by the way, is about 225 people higher than our current employment. In general, the NLRB clearly has grown only in response to the workload demands put upon it, and in far less proportion than the workload growth itself. I draw attention to this point to emphasize that, though the amount of our workload is outside of our control, what is not outside of our control is a prudent use of, and respect for the nature of, the resources that the Congress entrusts to us. I feel that we have earned, over the years, a deserved reputation for efficiency and economy which we intend to maintain.

Thus, though enforcement of the nation's basic labor statute costs money, the money is well invested with immediate benefits far beyond the expense of administration. The achievement of labor harmony made possible by the Board's processes is coupled with a long record of excellent management. The budget request for 1982 anticipates processing about 60,500 cases. It incorporates productivity improvement objectives in almost every section of the Agency. It is predicated on our maintenance of a high percentage of settlement of meritorious unfair labor practice cases, cases which, I might add, absent settlement would cost the Agency about $1,000,000 for each one percent drop below our settlement objective. Essentially, our 1982 budget request before you represents the current estimate of: the number of cases we will receive in 1982; how the cases will be disposed of (that is, settlement, dismissal, withdrawal, hearing, etc.); the number of staff needed based on current and targeted rates of productivity; and finally, the direct and support costs required to handle the anticipated caseload. We are not perfect prognosticators by any means. However, if our available funds are not needed for casehandling they are returned to the Treasury as we have done in the past. Also, with respect to total available funds, it is important for the NLRB to have adequate travel funds. This is because approximately 90% of our annual travel funds are spent on the direct costs of investigating, litigating and adjudicating cases, and for training our casehandling personnel. The remaining 10% is essentially management evaluation travel to maintain our widely recognized field case processing system, management training, EEO and employee union programs and administratively required travel. When adequate travel funds are not available and there is not an unexpected reduction in workload, the Agency must either defer training, reduce administration or delay casehandling. None of these results is desirable as delayed cases must still be handled but almost always at a higher cost than the cost of processing a case promptly. This is not only because of inflation but also due to the hardening of attitudes that occurs with the passage of time, the difficulty of locating witnesses and the difficulty of determining facts long after the event.

I would now like to move on to a brief discussion of some of the issues addressed in our budget request which fall within the areas of responsibility the Board has not delegated to the General Counsel.

ADMINISTRATIVE LAW JUDGES

Our Administrative Law Judges have maintained a high level of productivity in 1979 and I am proud of their accomplishments under the leadership of Chief Judge Arthur Leff, who retired this year.

The Judges issued 1,273 decisions, closed 1,287 hearings and obtained 658 settlements in 1980. Here too we are emphasizing settlements.

Despite this high output, complaints pending a hearing at the end of 1980 were the highest in the history of the NLRB at 2,693 up almost 29% over 1979. Our 1982 budget request anticipates only a slight reduction from this level but no further worsening of this backlog.

We have for some time intensively recruited qualified Judges and we are now as certain as we can be that our 1981 and 1982 budgeted estimates of Judges average employment of about 119 staff-years and 122 staff-years, respectively, is achievable. We are having increased success in hiring Judges and I expect us to achieve our goals. In 1982, we expect the Judges to issue 1,765 decisions, close 1,754 hearings and settle 891 cases. Additionally, we are preparing to provide our Judges with legal assistants under their supervision to speed decision writing. The assistants will pay for themselves if we can reduce a Judge's average per decision writing time by only 3 days.

BOARD MEMBERS STAFF

Dealing now with the Board Members' workload, the Budget estimates that the Board will be faced with the sizable task of deciding approximately 1,300 contested unfair labor practice cases in 1981 and about 1,497 in 1982. In 1980 we decided 1,181 unfair labor practice cases and 676 election cases. This combined total is a new Board record, achieved despite the fact that for 3/4 of the year the Board had only 4 members and only 3 members for 6 weeks. The Board will decide about 712 contested representation cases in 1981 and 735 in 1982.

In addition to the contested election cases, the Board also ruled on 1,323 other appeals and requests for review of decisions by the Regional Directors. This workload is also increasing each year and is expected to rise to 1,521 by 1982. The Budget anticipates that we can handle the increases we foresee with an increase of only 4.3 professional staff-years and about 3.7 clerical staff-years of employment.

CONCLUSION

As I indicated at the outset, I believe an efficient and economic use of the funds appropriated by the Congress is a hallmark of the NLRB. The Congressional appropriations process has been an integral part of our success in keeping up with our mission. By accepting our accounting of our performance in past years and by approving our appropriations' justifications year after year this Committee has helped to maintain and enforce this country's labor policy through a continually effective NLRB.

The current estimates of our needs and of what the future portends are the best that we can offer. It is well known that this Agency returns all unneeded funds to the Treasury. We do not and will not indulge in year-end spending binges to consume excess funds. Rather, our operations are designed to serve the common but special citizens who come to us for help. We do a good job, day in and day out, throughout the year. We pledge that the NLRB will continue to serve the mandate of the law we were created by Congress to enforce. But we need adequate staff and financial resources. Certainty and stability of our funding are critical to the long-range staffing, training and case management of the NLRB. In return, we feel that this Agency serves the Nation by maintaining labor peace at a cost that is far less than the benefits realized. We have a proven record of effectiveness and productivity improvement.

In conclusion, with the same understanding and assistance which the Committee has provided us in the past, we can continue to resolve labor disputes quickly so as to minimize disruptions to the Nation's economy and do so in a fair and cost effective manner.

STATEMENT OF WILLIAM A. LUBBERS

I thank the Committee for this opportunity to appear in behalf of the National Labor Relations Board in support of its budget request for Fiscal Year 1982.

The budget request for Fiscal Year 1982 is $132,831,000, an increase of $9,805,000 or 8.0% over the total of the appropriation plus pay act funds requested for Fiscal Year 1981. The budget estimates that these funds will provide an average staff of 3,264 during Fiscal Year 1982, an increase of 168 staff-years over the 3,096 staff-years estimated for Fiscal Year 1981 or an increase of about 5.4%. Total case intake for 1982, all of which is initially processed in one of the regional offices under the responsibility of the General Counsel, will rise from 60,800 to 63,600, an increase of about 2,800 cases.

As you know, the NLRB has no real control over the volume or nature of its case intake. In 1980, we achieved the most productive year ever in the field offices. This is important because it is in these offices that all newly filed cases are first handled and in which 90% are resolved without the necessity of costly and time consuming formal processing. Notwithstanding this record, this budget estimates that in 1980 the number of pending unfair labor practice cases in the NLRB's regional offices rose to 12,798, an increase of about 26.9% and 2,700 cases. In 1981 and 1982 the NLRB's pending unfair labor practice case load is estimated in this budget to rise another 3,900 and 3,100 cases, respectively, for a total increase of over 96% in pending workload between year-end 1979 and 1982. The actual numbers will be higher because the 1982 budget before you was prepared last summer and fall and clearly contemplates more staff-years of employment in 1981 than it will now be possible for the Agency to realize.

In 1970, the NLRB handled a total workload of 33,582 cases with 2,105 full-time permanent employees on board at the end of the fiscal year. By 1979, the total workload had grown to 54,907 cases which the NLRB handled with only 2,921 full-time permanent employees. Thus, over this 9-year period, this Agency experienced an average annual workload increase of just over 5.6% with only an average 3.7% yearly increase in full-time end-of-year staff. In 1980, total workload grew by 5.0% to 57,656 cases, yet full-time end-of-year staff declined from 2,921 to 2,825.

In the past decade, the NLRB has achieved average productivity increases of about 1.9 percent yearly. In 1980, the estimated productivity achievement was at least 8.4%, primarily occuring in the field offices. The NLRB case management system which produced these results has been widely praised by the Office of Personnel Management and held out to other agencies as a model for increasing productivity.

It seems obvious to us that expeditious processing of cases brought before the NLRB reduces the adverse economic consequences flowing from unresolved labor disputes. The result is an immediate benefit to the economy which we believe is far greater than the cost of administering the National Labor Relations Act.

In my first appearance before you last year, I stated that I foresaw the then upcoming Fiscal Year 1980 as filled with great challenges which would call forth our best efforts to meet and to maintain the record of the National Labor Relations Board as a premier Federal agency. With Fiscal Year 1980 now behind us, I am pleased to say that, with the support of the exceptionally able and dedicated staff in the offices of the General Counsel, this Agency successfully met the demands of the difficult year of 1980.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act as amended (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and Legal Assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe. . ."

As a result of this statutory authority and the authority delegated to the General Counsel by the Board under the statute, the General Counsel is responsible for the operation of the Agency's 33 regional offices, for the supervision of all court litigation before and after Board decision, and for the supervision of the Agency's Division of Administration.

ACCOMPLISHMENTS

I am pleased to recount the following accomplishments achieved in Fiscal Year 1980.

1. The Regional Offices docketed and began processing a record 44,206 unfair labor practice cases, up 7.1% over Fiscal Year 1979. There were 13,450 representation petitions filed, a small decrease from Fiscal Year 1979.

2. Over 90% of the unfair labor practice cases were disposed of in a median time of approximately 40 days, and of course, without the need for formal litigation before the Board.

3. The Regional Offices issued a record 5,914 complaints in a median of 45 days, compared to 5,413 complaints in 45 days in Fiscal Year 1979.

4. Settlements. The settlement rate for meritorious unfair labor practice cases dropped slightly in FY 1980 to 82.3%, though lower than the FY 1979 rate of 84.5%, the record 11,199 cases settled represents a 7.7% increase over FY 1979.

5. Litigation Results. The 80.7% of Board and ALJ decisions won in whole or in part was a small decrease from the 81.1% attained in FY 1979.

6. Backpay, and Fees, Dues, and Fines. A record $33,518,853 was distributed in cases closed, a 86.5% increase over FY 1979's total of $17,974,732.

7. Reinstatement Offers. This fiscal year 10,479 offers of reinstatement were made of which 7,877 were accepted. This represents an increase of 87.1% over FY 1979 in the number of offers of reinstatement secured.

8. Regional Director Decisions in Representation Cases. Excluding blocked cases, in FY 1980, Regional Directors issued 1,826 decisions in contested representation cases after a hearing in a median of 41 days. Thus, in FY 1980, a greater number of decisions were issued than in FY 1979 when 1,721 decisions were issued in a median of 41 days.

9. Elections. In this fiscal year, 8,166 conclusive elections were conducted compared to 8,177 in FY 1979. The time to proceed to an election from the filing of a petition was a median of 50 days, a slight increase from the 49 day median attained in FY 1978 and FY 1979.

10. Section 10(j) Injunctive Activity. The Division of Advice processed 272 requests for Section 10(j) relief during Fiscal Year 1980, 10 more than the previous record set in Fiscal Year 1979. Injunctions were authorized in 81 cases, one more than the record number authorized in Fiscal Year 1979.

11. Section 10(l) Injunctive Activity. The Regional Offices filed 214 petitions for 10(l) injunctions with the appropriate district courts, a 17.6% increase from the 182 petitions filed in Fiscal Year 1979.

These are highlights only. There are many similar examples in Fiscal Year 1980 of the effectiveness of the effort of our Washington and field staffs.

Our formal Justification, submitted to you separately, contains some rather significant displays. The "pie" charts on pages 14 through 16 of our Justification show how our cases were disposed of in Fiscal Year 1980 compared to the 1979 disposition pattern.

It is apparent from the analysis in our Justification that it is fortunate that the great mass of cases coming before the Agency are disposed of at the Regional Office level without resort to formal hearings and litigation at the Board level in Washington. It is formal action which puts the greatest strain on the budgetary and personnel resources of the Agency and which contributes greatly to time delays in the processing of Agency cases. Litigated unfair labor practice cases impose a much greater financial burden to process than contested representation cases.

Let me stress again that in the unfair labor practice area, 90% of the charges filed were investigated and disposed of informally, in a median of about 40 days in Fiscal Year 1980. Of the cases which were found to have merit, 82.3% settled without the need for prolonged and costly litigation. When a meritorious case does not settle, the General Counsel is usually prepared to go to trial within six to eight weeks from the time the complaint issued.

We have placed great stress on our settlement program and Page 15 of our Justifiation graphically displays the results of the program. The voluntary adjustment of labor disputes is the central purpose of the Act. When we are able to bring about a settlement early in a labor dispute, we have achieved that purpose and have provided the public with the prompt service they need. It is critically important that we have the personnel we need to administer our settlement program and that this settlement effort be unhampered by budgetary or travel restrictions.

The Office of the General Counsel utilizes an intensive public information officer progam in our field offices. The purpose of this effort is to enable the field offices to carefully screen out clearly non-meritorious case filings which would otherwise consume Agency resources to resolve. Thus, during a recent representative period, this Agency's field officers handled approximately 129,000 such contacts by the public. Of these 129,000 inquiries, only 9.2% culminated in the filing of an unfair labor practice charge or representation petition, thereby achieving a principal goal of this program which is to reduce the number of cases filed.

1981 and 1982 Outlook

There are two principal challenges to the effective operation of the Office of the General Counsel and the Agency as I now see them.

One is to sustain our high rate of settlement, and the second is to seek imaginative and innovative methods to process the maximum number of cases within our 1981 appropriation plus pay act and the 1982 budget request now before you for consideration.

With regard to the first challenge, it has consistently been the objective of the Office of the General Counsel to maintain the highest possible level of voluntary settlements. The accomplishment of this objective requires preparation, time and effort by each of our casehandling professionals. Success in sustaining a high rate of settlement significantly reduces the economic impact of disdisputes between employers and unions. Clearly, the earlier a settlement resolution of a dispute is achieved the less costly it is to the Agency to process. Currently, each 1% change in the rate of voluntary settlements eventually costs the Agency approximately $1,000,000 by the time all those additional cases have been formally litigated. Adequate funds and case processing staff, are important to the maintainance of high settlement rates. For instance, in 1980, a year of tight staff constraints, our settlement rate dropped from 84.5% to 82.3%. This decrease will ultimately cost the Agency close to two million dollars as the cases that were not settled wend their way through the various stages of litigation.

The second challenge faced by the Office of the General Counsel and the Agency is to somehow cope with the very tight budget constraints which we will undoubtedly face for the next several years while maintaining our hard earned reputation for effectiveness.

I do wish at this time to underscore the Chairman's remarks regarding the critical role that the availability of adequate travel funds plays in the effective enforcement of the Act. The resolution of almost every charge and petition filed with the Agency involves a mandatory expenditure of travel money. There is no viable alternative to a face to face investigation in the conduct of a complete inquiry regarding a case. Similarly, reduced travel can adversely affect our settlement program with resulting direct, adverse consequences on the parties as well as on case processing. The concern of the labor Bar, management and employee representatives is consistently directed toward the quality and timeliness of this Agency's investigations. Simply put, even if we have the staff and funds to pay the staff the Agency will be unable to promptly handle all its cases unless it has the necessary travel funds.

In the interest of brevity, I will not repeat the detail of performance already in our Justification of each of the divisions and sections under the responsibility of the General Counsel. I will, of course, respond to any questions that you might have. There are, however, a couple of other areas I would like to touch on before I close.

As you know a major Agency goal is to sustain our excellent Equal Employment Opportunity Program. We achieve this objective each year by our continued success in recruiting and retaining minority and female employees and through our training and developmental programs. Over the past 8 years about 50% of the professional employees hired in the offices under the responsibility of the General Counsel have been minorities or women. This objective was met in 1980. Additionally over 1/4 of the appointments to supervisory and managerial positions in 1980 were minorities or women and our upward mobility "Bridge Program" graduated 4 clerical minorities who are now now field examiners. We are proud of this record and I pledge that it will be sustained.

The Office of the General Counsel, through the Agency's Division of Administration Data Systems staff, is continuing to implement a computer based casehandling information system. Successful implementation of this system is an essential tool to allow the Agency to be able to manage the estimated 63,600 1982 caseload.

Finally, staff training is also an essential component of the Agency's success in casehandling. We feel that productivity achievements, in addition to good management and technical system support, are largely a product of the quality of the training programs provided to our employees. Over the years this Agency has developed very effective programs for purposes of Upward Mobility, EEO, supervisory and technical training. These include as well, conferences devoted to the training of casehandling professionals in Agency procedures, law and successful investigative and trial techniques. The 1982 appropriation request continues these essential progams.

CONCLUSION

I have attempted here, in conjunction with our previously submitted Narrative Justification and the statement of the Chairman, to set forth what I feel is the contribution and benefit to the country that occurs under the auspices of the NLRB and to present the budget request for 1982. This request is, of course, under review and our submission is subject to change.

In closing, I want to thank this committee for your help and understanding. We have been able because of you to carry out our mission of trying to provide acceptable service in all of the areas which are significant in the operations under the supervision of the Office of the General Counsel. For the coming year the Agency dedicates itself to the continuation of this effort.

Thank you.

JOHN H. FANNING

BIRTH: September 19, 1916, Putnam, Conn.

EDUCATION: Norwich Free Academy, Norwich, Conn., 1934. Providence College, Providence, R.I., A.B. (cum laude) 1938. Catholic University of America School of Law, Washington, D.C., LL.B., 1941. Providence College - Doctor of Public Administration, 1969 (honoris causa).

PROFESSION: Lawyer - Member of State of Rhode Island and U.S. Supreme Court Bars. Member of Federal Bar Association and Rhode Island Bar Association.

GOVERNMENT CAREER: Federal career employee from 1942 to 1957, serving in legal and industrial relations positions in the Departments of Labor, Army, and Defense. Since December 1957 has served as a Presidential Appointee as a Member of the National Labor Relations Board.

In October 1977 was appointed by President Carter to a fifth 5-year term as a Member of the National Labor Relations Board. He is the only Board Member to be appointed to five successive terms by five Presidents of different political parties. He previously was appointed to the Board by Presidents Eisenhower, Kennedy, Johnson, and Nixon, and has served continuously since December 1957. From December 1974 through February 1975 served as Acting Chairman by appointment of President Ford. Appointed Chairman by President Carter on April 14, 1977, and reappointed Chairman on December 17, 1977.

NON-GOVERNMENT EXPERIENCE: Law firm of Corcoran and Mangan, Pawtucket, R.I., 1941-1942.

MARITAL STATUS: Married to former Eloise M. Cooney, Pawtucket, R.I. Mrs. Fanning is a graduate (A.B. degree) of Brown University, Providence, R.I., 1938 and teaches Latin at the Immaculata Preparatory School, Washington, D.C. Five children, three girls, two boys; nine grandchildren, six girls, three boys.

POLITICAL AFFILIATION: Registered Democrat

LEGAL RESIDENCE & DOMICILE: 15 Pierce Street, Pawtucket, R.I.

WASHINGTON, D.C. RESIDENCE: 5905 Welborn Drive, Washington, D.C. 20016

PROFESSIONAL AWARDS: In October 1975, the annual John H. Fanning Conference on Labor-Management Relations was established by the Quirk Institute of Industrial Relations of Providence College, in Rhode Island, and Mr. Fanning received the first Quirk Institute Award for his public service contribution to industrial peace and labor-management relations.

November 1965, received Catholic University of America Alumni Association Annual Award for Outstanding Achievement in the field of Government.

May 1965, inducted as Honorary Member in Phi Alpha Delta Law Fraternity for service to Catholic University Law School and students.

May 1958, received Providence College Alumni Association Annual Personnel Achievement Award.

April 1958, received Department of Defense Meritorious Civilian Service Medal.

May 1957, received from National Civil Service League its Annual Career Award given to outstanding Government employees.

OTHER PROFESSIONAL ACTIVITIES:

Has participated as guest speaker or lecturer in numerous programs sponsored by many of the Nation's outstanding colleges and universities, Bar Associations, and professional, labor, and management groups.

Has authored articles appearing in publications of Boston College, George Washington, Catholic, Loyola, Tulane, Georgia, Pennsylvania, Baylor, Arizona, Wayne State, and New York Universities; THE RECORD of the Bar of the City of New York, Monthly Labor Review of the U.S. Department of Labor, Labor Law Journal, Social Order and the New Catholic Encyclopedia, the Bureau of National Affairs and the Industrial Relations Research Association.

1971 - 1977, Member of the Administrative Conference of the United States. Resigned when appointed Chairman of National Labor Relations Board in April 1977.

COMMUNITY ACTIVITIES:

1968 - 1973, Member of Cardinal O'Boyle's Committee of the Laity for the Archdiocese of Washington, to advise on and implement charitable and social activities of the Archdiocese.

1969 - , Board of Directors, Catholic Youth Organization, Archdiocese of Washington, D.C.

ALUMNI ACTIVITIES:

1977 - , Board of Governors, Catholic University of America Alumni Association.

1975 - 1976, National Secretary, Providence College Alumni Association.

1974 - 1975, National Chairman, Providence College Annual Loyalty Fund Campaign.

1971 - , Board of Directors, Catholic University Law School Alumni Association.

1961 - 1962, Board of Governors, Providence College Alumni Association.

1959 - 1962, National President, Catholic University Law School Alumni Association.

Biographical Data: WILLIAM A. LUBBERS

Born: September 21, 1924 — Cedar Grove, Wisconsin.
Lived in Cedar Grove (small rural community) until 1937.
Lived in Sheboygan, Wisconsin from 1937 - 1946.
1952 - Present —Resides in Bethesda, Maryland

Married: To Val Palesse Lubbers
Children: Jeffrey, Steven (deceased), Darcy, Sherry and Kevin.

Education: Graduated from Sheboygan North High School - 1942
Attended Carroll College, Waukesha, Wisconsin 1942-1943
University of Wisconsin 1946 - 1948
Received Bachelor of Arts Degree - 1948
University of Wisconsin Law School
LLB - 1950 Member of Wisconsin State Bar

Military Service: United States Army 1943 - 1945
Wounded in Action 1/18/45 Leyte, Philippines
Certified Disability Discharge July, 1945

Employment History

June 1950 - December 1950 — American Federation of State, County & Municipal Employees. (Organizer in State of Michigan)

August 1951 - September 1952 — Wage Stabilization Board in Office of Case Analysis and then in Office of the General Counsel.

September 1952 - 1977 — National Labor Relations Board as Staff Counsel on Staff of Member Abe Murdock 1952 - 1957.

On staff of Member John H. Fanning as Staff Counsel, Supervisory Staff Counsel, and Deputy Chief Counsel from 1957 to July 1977.

July 1977 - May 1978 — Solicitor

May 1978 to December 1979 — Executive Secretary

December 24, 1979 to Present — Appointed by President Jimmy Carter on a recess appointment as General Counsel of the National Labor Relations Board. As General Counsel will have statutory responsibility and final authority to litigate or to dismiss allegations that employers or unions have committed unfair labor practices. Will also serve as supervisor of NLRB's 50 field offices, and as attorney for the Board before the Supreme Court and Federal circuit and district courts.

Civic Activities: Active in various capacities, including President, in local PTA's, and Second Vice President in Montgomery Council of PTA's. Chairman of Citizens Nominating Convention of candidates for Montgomery County Board of Education elections - 1972. Active in various capacities, including President, of Edgemoor Citizens Association.

NLRB

1. INDEPENDENT "LAW ENFORCEMENT" AGENCY IN THE EXECUTIVE BRANCH.

2. ESTABLISHED 1935

3. MISSION:
PEACEFUL RESOLUTION OF INDUSTRIAL DISPUTES.

4. FUNCTIONS:

TO PROTECT THE RIGHT

OF EMPLOYEES

TO FORM OR JOIN

UNIONS (OR NOT TO)

BY:

A. PREVENTING AND REMEDYING
EMPLOYER AND UNION
UNFAIR LABOR PRACTICES.

B. DETERMINING BY SECRET
BALLOT ELECTIONS
(USUALLY) WHETHER
EMPLOYEES WISH TO BE
REPRESENTED BY A
UNION FOR THE PURPOSES
OF COLLECTIVE BARGAINING.

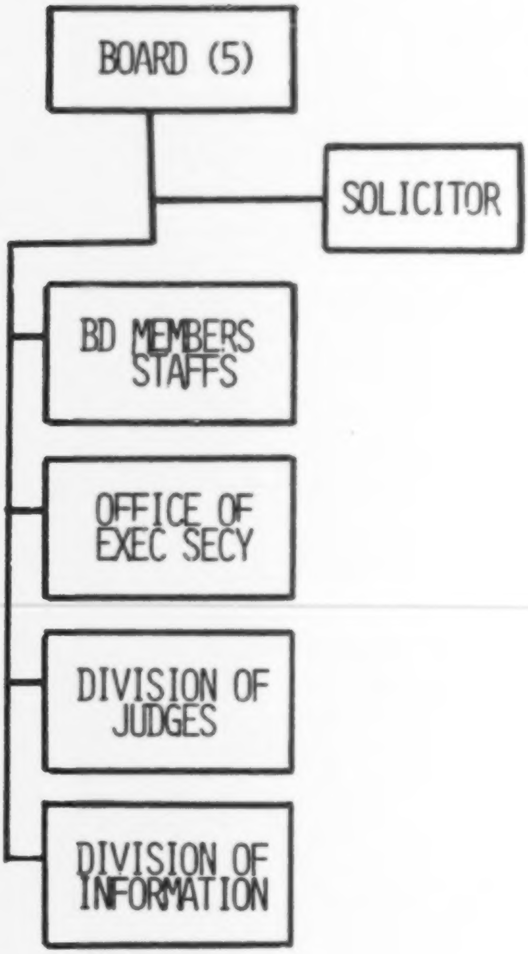
5. ACT SEPARATES PROSECUTORY FUNCTIONS AND ADJUDICATORY FUNCTIONS BY PROVIDING FOR:

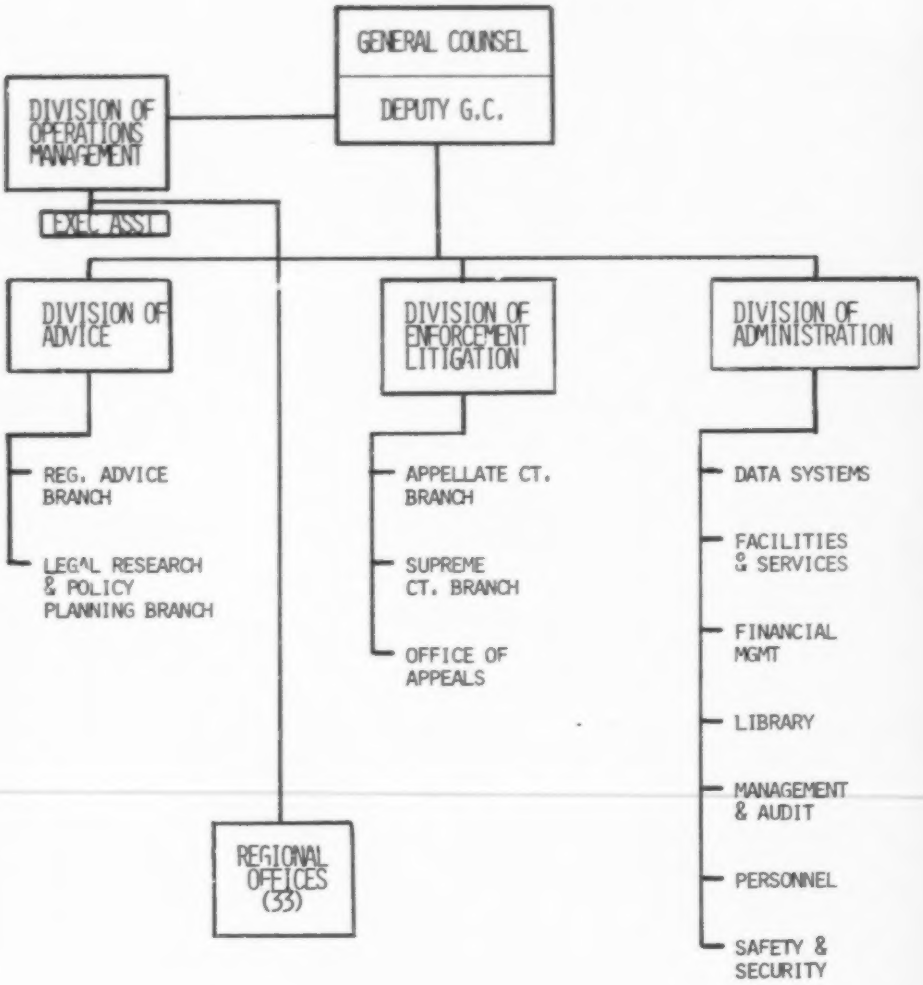
   A. 5 MEMBER BOARD - PRESIDENTIAL APPOINTEES - TERM:
      5 YEARS

   B. INDEPENDENT GENERAL COUNSEL - PRESIDENTIAL APPOINTEE - TERM:
      4 YEARS

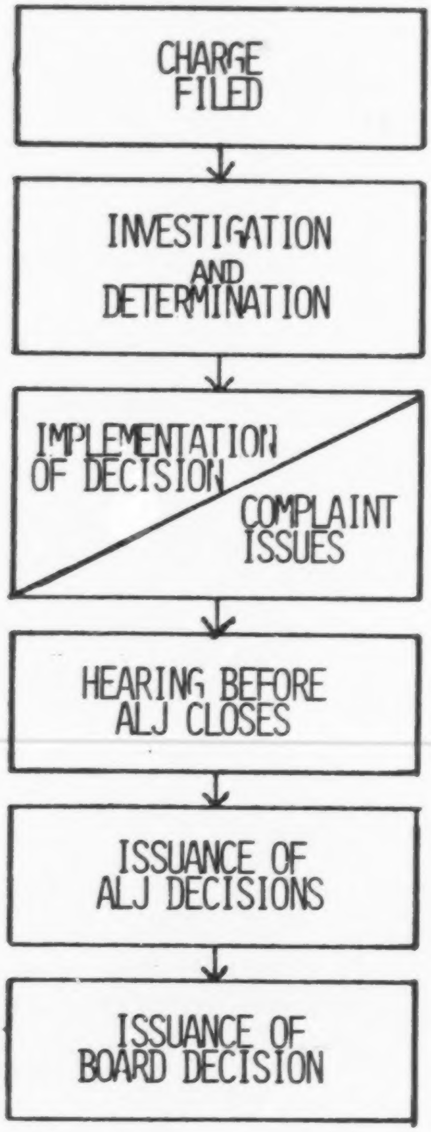
      -- FINAL AUTHORITY WITH RESPECT TO ISSUANCE OF ULP COMPLAINTS.

THE BOARD ORGANIZATION

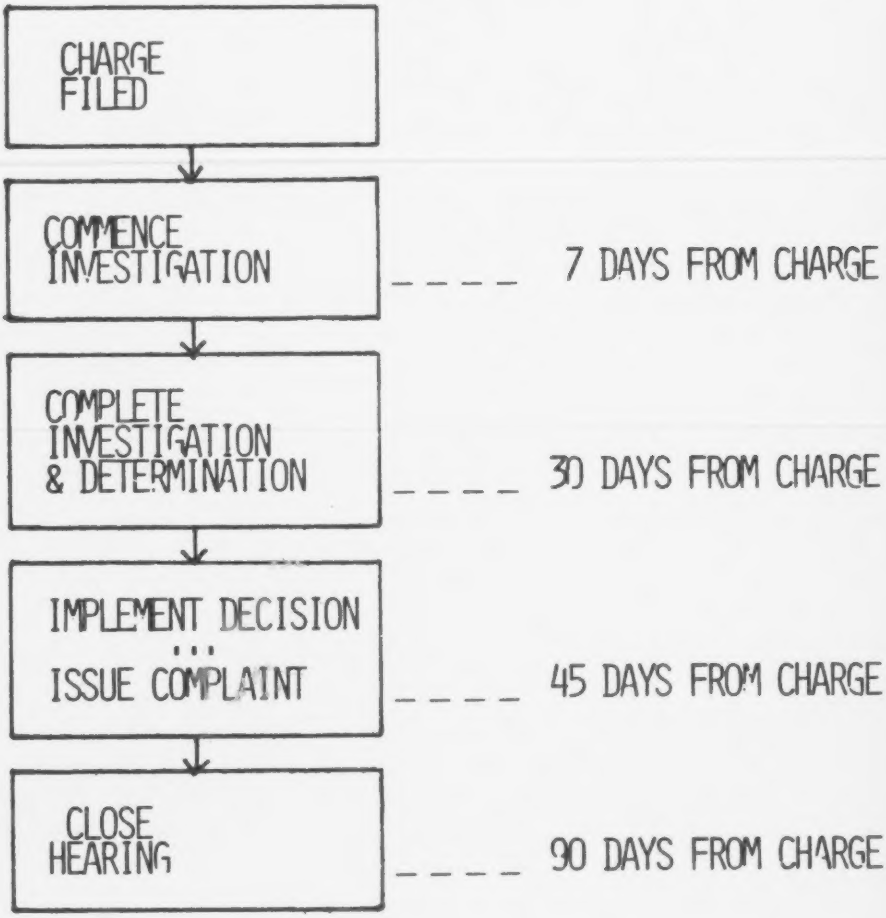

BOARD (5)
SOLICITOR
BD MEMBERS STAFFS
OFFICE OF EXEC SECY
DIVISION OF JUDGES
DIVISION OF INFORMATION


GENERAL COUNSEL
DEPUTY G.C.
DIVISION OF OPERATIONS MANAGEMENT
EXEC. ASST.
DIVISION OF ADVICE
REG. ADVICE BRANCH
LEGAL RESEARCH & POLICY PLANNING BRANCH
DIVISION OF ENFORCEMENT LITIGATION
APPELLATE CT. BRANCH
SUPREME CT. BRANCH
OFFICE OF APPEALS
DIVISION OF ADMINISTRATION
DATA SYSTEMS
FACILITIES & SERVICES
FINANCIAL MGMT
LIBRARY
MANAGEMENT & AUDIT
PERSONNEL
SAFETY & SECURITY
REGIONAL OFFICES (33)

ULP PIPELINE


CHARGE FILED
INVESTIGATION AND DETERMINATION
IMPLEMENTATION OF DECISION
COMPLAINT ISSUES
HEARING BEFORE ALJ CLOSES
ISSUANCE OF ALJ DECISIONS
ISSUANCE OF BOARD DECISION

ULP OBJECTIVES (OGC)
ACTION/OPERATIONAL GOALS



CHARGE FILED

COMMENCE INVESTIGATION ---- 7 DAYS FROM CHARGE

COMPLETE INVESTIGATION & DETERMINATION ---- 30 DAYS FROM CHARGE

IMPLEMENT DECISION ... ISSUE COMPLAINT ---- 45 DAYS FROM CHARGE

CLOSE HEARING ---- 90 DAYS FROM CHARGE

R CASE PIPELINE
ACTION/TIME GOALS

1. PETITIONS
   - A. INFORMAL DISPOSITION
     - - DISMISSAL
     - - WITHDRAWAL
     - - ELECTION AGREEMENT

2. PETITION TO NOTICE OF HEARING............ 9 DAYS

3. NOTICE OF HEARING TO COH.................14 DAYS

4. CLOSE OF HEARING TO R.D. DECISION........22 DAYS (45 DAYS)

5. R.D. DECISION (ELECTION AGREEMENT)
TO CONDUCT OF ELECTION...................30 DAYS

6. FILING OF OBJECTIONS/CHALLENGES
TO ISSUANCE OF REPORT ON
OBJECTIONS/CHALLENGES....................35 DAYS

NATIONAL LABOR RELATIONS BOARD
DIVISION OF RESPONSIBILITIES

THE BOARD (5 BOARD MEMBERS)

1. RESOLVES ISSUES ARISING FROM REPRESENTATION ELECTION PROCEEDINGS INCLUDING DETERMINATION OF APPROPRIATE UNITS, RESOLUTION OF OBJECTIONABLE ELECTION CONDUCT AND CERTIFICATION OF RESULTS.
2. ADJUDICATES CASES BROUGHT BEFORE THE BOARD BY STIPULATION OF THE PARTIES OR BY EXCEPTIONS TO AN ADMINISTRATIVE LAW JUDGE'S DECISION.

THE GENERAL COUNSEL

A. SUPERVISES THE AGENCY'S FIELD ESTABLISHMENT AND IN THAT CAPACITY

   1. RECEIVES UNFAIR LABOR PRACTICE CHARGES;
   2. INVESTIGATES SUCH CHARGES;
   3. DETERMINES THE MERIT THEREOF;
   4. SETTLES OR PROSECUTES SAME.

B. BY DELEGATION FROM THE BOARD, AND SUBJECT TO REVIEW BY THE BOARD

   1. RECEIVES AND PROCESSES REPRESENTATION PETITIONS;
   2. DETERMINES APPROPRIATE UNITS;
   3. CONDUCTS ELECTIONS;
   4. INITIALLY RESOLVES OBJECTIONABLE CONDUCT ALLEGATIONS; AND
   5. CERTIFIES ELECTION RESULTS.

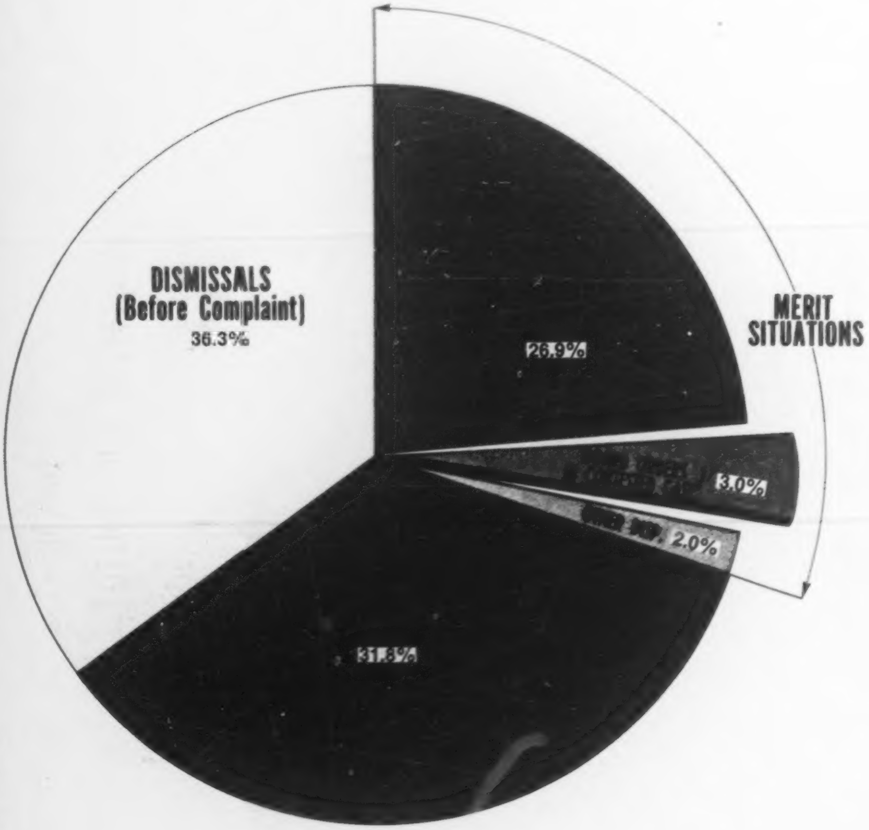
C. BY DELEGATION FROM THE BOARD

ENFORCES BOARD DECISIONS ADMINISTRATIVELY OR BY LITIGATION IN THE CIRCUIT COURTS OF APPEAL.

DISPOSITION PATTERN FOR UNFAIR LABOR PRACTICE SITUATIONS BASED ON ACTIONS TAKEN DURING THE YEAR

FISCAL YEAR

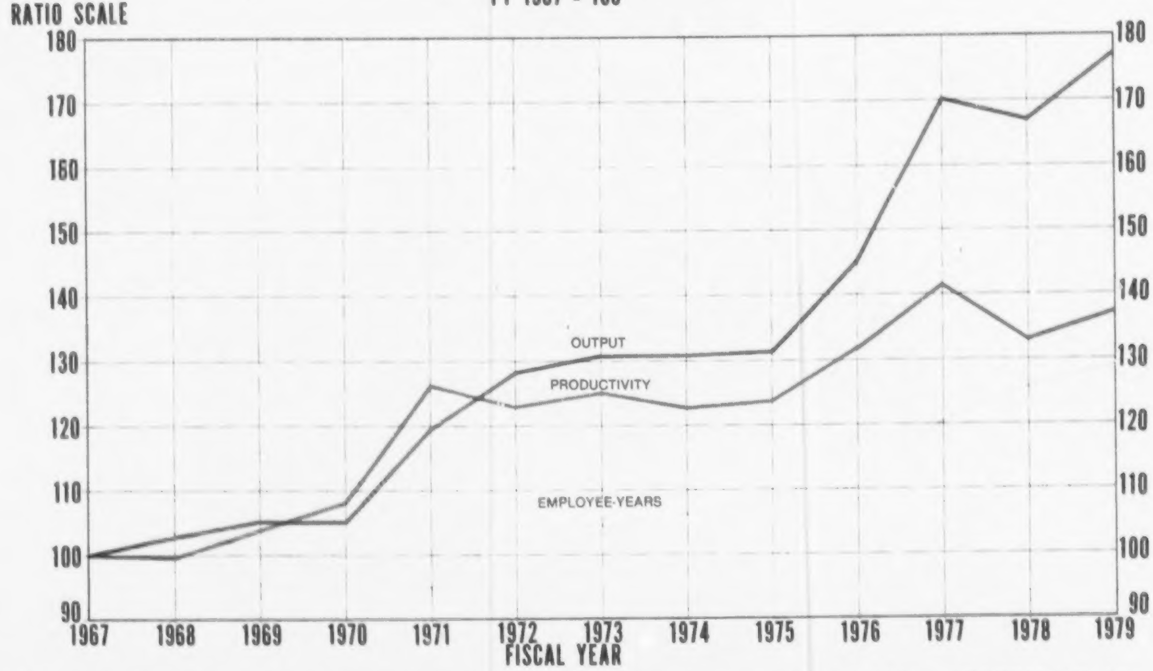
1980



1/ Contested Cases reaching Board Members for Decisions

Prepared by: Facilities and Services Branch - Forms Management Unit

NATIONAL LABOR RELATIONS BOARD FY 1967 - 79
PRODUCTIVITY, OUTPUT AND EMPLOYEE-YEARS
FY 1967 = 100



SOURCE: BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR. SEPTEMBER 18, 1980

—PRODUCTIVITY —OUTPUT EMPLOYEE YEARS

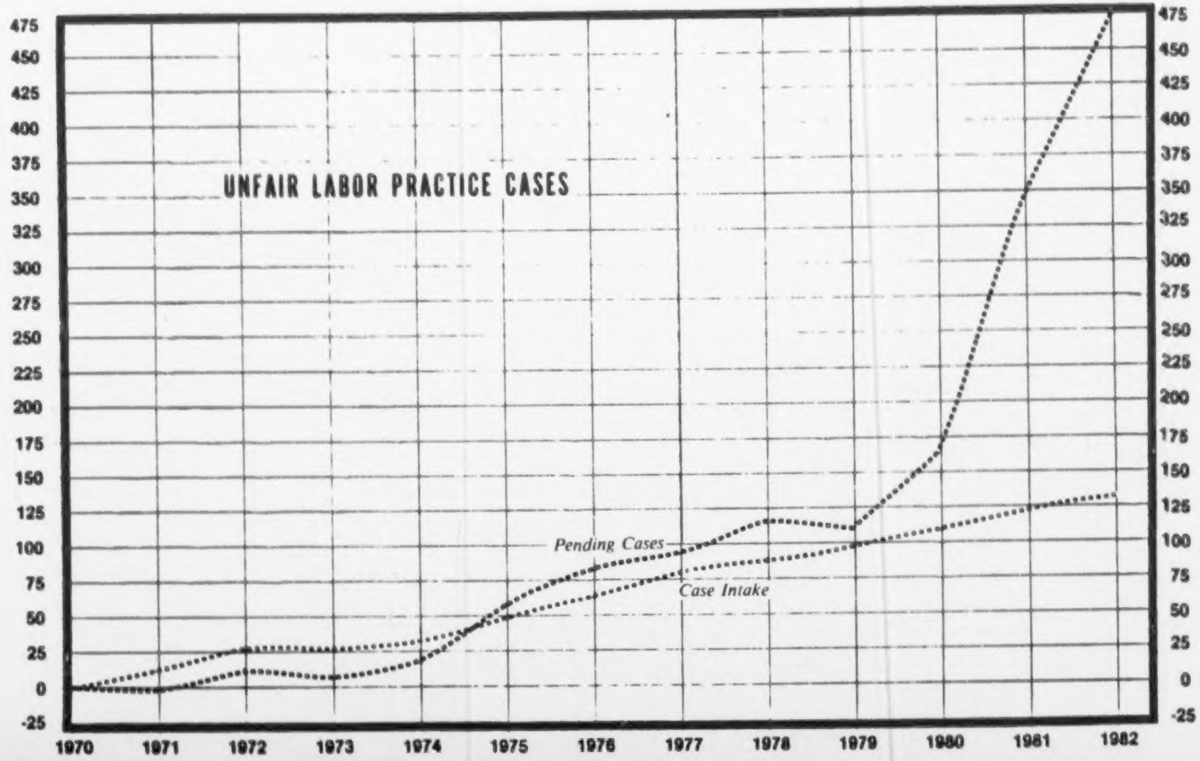
NATIONAL LABOR RELATIONS BOARD

COMPARISION BETWEEN THE BUDGET SUBMISSION OF 1/81 AND THE REVISED BUDGET SUBMISSION OF 3/81

	1981		1982	
	1/81	3/81	1/82	3/82
OBLIGATIONS (THOUSANDS)	$123,026	$119,548	$132,831	$128,336
FULL-TIME PERMANENT STAFF END-OF-YEAR	3,065	2,880	3,065	2,990
CASE INTAKE				
"C" CASES	46,745	46,745	48,916	48,916
"R" CASES	14,114	14,114	14,714	14,714
TOTAL CASE INTAKE	60,859	60,859	63,630	63,630
PENDING CASES				
"C" CASES	16,687	16,964	19,808	23,128
"R" CASES	2,024	2,024	1,876	2,226
TOTAL PENDING	18,711	18,988	21,684	25,354

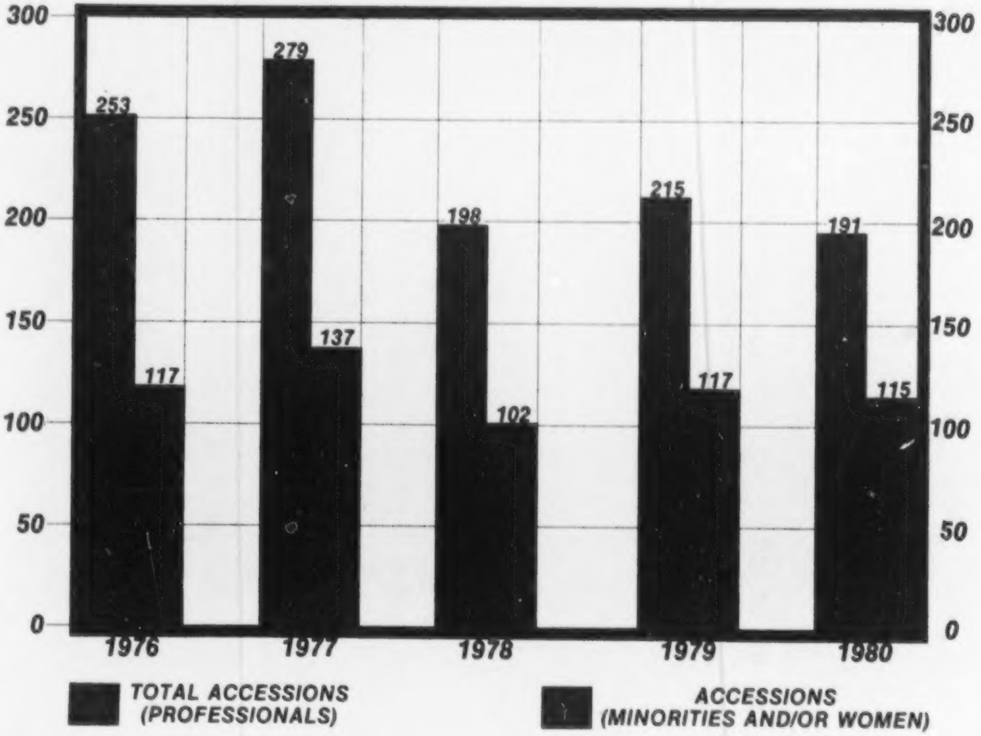
NATIONAL LABOR RELATIONS BOARD

PERCENTAGE CHANGE IN CASE INTAKE AND PENDING CASES 1970 - 1982



OFFICES OF THE BOARD AND THE GENERAL COUNSEL

ACCESSIONS FY 1976 - FY 1980



INTRODUCTION OF ASSOCIATES

Mr. FANNING. I would be happy to, Mr. Chairman.

I apologize for the cold that I have. If you have difficulty understanding me, please just raise your hand and I will speak louder or more clearly.

I am accompanied today, on my right, by our Chief Administrative Law Judge, Melvin Welles; on my left by Mr. Lee Vincent, our Comptroller; on his left by Mr. William Lubbers, the agency's General Counsel; and on his left by Mr. John Higgins, the Deputy General Counsel of the Agency.

SUGGESTED 20-PERCENT REDUCTION IN SPENDING

Senator SPECTER. Mr. Fanning, let's start with the proposition as to the suggestion, as to the 20-percent cut. What is the origin of that suggestion, for the record please?

Mr. FANNING. I do not know the origin.

Senator SPECTER. When did it first come to your attention?

Mr. FANNING. Yesterday, I believe. We haven't had a chance yet to fully evaluate it. I think I could give you a tentative answer, and then we can provide you with a more complete answer in writing for the record.

Senator SPECTER. The Senate Human Resources Committee has recommended in its report to be submitted March 15 to the Budget Committee, a 20-percent cut for your agency. So, realizing you would have had very late notice of that suggestion, will you——

Mr. FANNING. Let me give you the best answer I can, sir.

The present budget, the Reagan budget of 128 million some odd hundred thousand dollars, would have resulted in a backlog of about—by the end of 1982, of something in the nature of 23,000 cases.

To further reduce our budget to $98 million, would increase that backlog very, very substantially. Probably in excess of 35,000 cases.

PRESENT PENDING CASELOAD

Senator SPECTER. What is the backlog at the present time?

Mr. FANNING. Our normal backlog—and I hate to use the word "backlog," we call them "pending field cases"—is 10,000.

Senator SPECTER. What is your pending caseload at the present time?

Mr. FANNING. 10,000 is our normal, historical, traditional pending caseload. Presently, I believe, it's over 12,000 because of the freezes of President Reagan and former President Carter.

Senator SPECTER. How long does it take to conclude a case from start to finish?

Mr. FANNING. We try to dispose of as many cases in a year as come in that year. The figures that I am talking about would obviously preclude that. We would have a backlog by the end of 1982 equal to 50-plus percent of the new cases that we expect to come in in 1982.

Senator SPECTER. How many new cases come in in the course of a year?

Mr. FANNING. In 1982 we predict 49,000, approximately 49,000 unfair labor practice cases, and about 14,500 election cases. The total is 63,630.

I would also further add that if the budget figure is to approximate $98 million, we would probably have to reduce our work force by somewhere between 400 and 500 people. We, at the present time, have 2,820 people on board, and you can see that that percentage of 400 to 500 out of 2,800 would be very substantial. We could not take care of it through attrition. Our attrition for the rest of this year will be about 110 people. And now we are talking in terms of four times that amount.

So, it would have a very, very substantial impact, and probably mean that we could not only keep up with the current cases that come in, but we would backlog cases that we might never get to simply because of the passage of time and the inadequate amount of money. It would be the most serious budget impact that I have experienced, and I have been on the Board 24 years.

I was appointed in 1957 by Mr. Eisenhower, and I have been reappointed every time since by every incumbent President, and designated Chairman by two Presidents, President Carter and Acting Chairman by President Ford. And I think this would be a disastrous impact on the agency.

IMPACT ON LABOR MANAGEMENT RELATIONS

Senator SPECTER. Mr. Fanning, would the impact on the agency have any impact on the judicial system with respect to the review of your cases as well?

Mr. FANNING. Yes; but it would have a much more significant impact on the labor-management community, because when you run 8,000 or 9,000 elections a year as we have been doing, involving 500,000 individuals, if they cannot have an election in timely fashion—and at the moment we are directing elections and running elections and completing the election process in probably 60 to 65 days—then there are going to be disturbances in the plant; there are going to be slowdowns, I think, and frustration; there is going to be a lot of upsetting features in the labor-management community.

When you consider that in 1934, the year before this statute was enacted, there were 3,700 strikes, work stoppages in this country because of representation questions, I think you can see the impact.

As to unfair labor practice cases, the effectiveness of collective bargaining depends on quick decisions that are accepted by both parties, and they then proceed with their collective bargaining negotiations.

If they are going to have to wait the length of time we are talking about for answers, that is going to bog down the whole collective bargaining process and defeat the very purposes of the statute which is to use collective bargaining to eliminate labor-management disputes and facilitate commerce between the States.

Senator SPECTER. Is that as specific as you can make the projection which you anticipate as a result of this situation?

Mr. FANNING. I can probably give you an example I think is relevant. We ran a study a short time ago to determine what the impact of our activities was in the construction industry. And we found that through our intervention in various disputes in the construction industry, we were very instrumental in keeping 10 billion dollars' worth of construction work going involving over 100,000 employees.

Whenever there are jurisdictional disputes, we try to enjoin the picketing and dispute, and maintain a free flow of commerce in that area. If we can't get to the cases, then we obviously can't do it.

Senator SPECTER. Mr. Fanning, what I would appreciate your doing would be to step back and await Senator Abdnor's return, and see how the schedule for the day proceeds. There are quite a number of questions which we have prepared for submission to you. If we are not able to ask them during the course of this hearing, because there are so many agencies here, they will be submitted to you for your response in writing.

But, I would appreciate it if you would stand by, as we hear next from the Occupational Safety and Health Review Commission.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF FRANK R. BARNAKO, ACTING CHAIRMAN

ACCOMPANIED BY:
HARRIET MILLER, EXECUTIVE DIRECTOR
PAUL A. TENNEY, CHIEF JUDGE
LARRY HOSS, DIRECTOR, ADMINISTRATION AND FINANCIAL SERVICES
ROBERT C. GOMBAR, GENERAL COUNSEL

SUBCOMMITTEE PROCEDURE

Senator SPECTER. Good afternoon. We will now hear from the new chairman, Frank Barnako, of the Occupational Safety and Health Review Commission.

Mr. Barnako, will you introduce your associates?

INTRODUCTION OF ASSOCIATES

Mr. BARNAKO. Yes; on my left is Mr. Paul A. Tenney, who is the Chief Administrative Law Judge; on my far left is Harriet Miller, the Executive Director; on my immediate right is Mr. Larry Hoss, who is Director of Finance and Administration; and on my far right is Mr. Robert Gombar, General Counsel.

PREPARED STATEMENT

Senator SPECTER. Mr. Barnako, we have the statement which has been submitted by the former chairman, Timothy F. Cleary, and we will provide you with an opportunity in any way you see fit to present your testimony.

His statement will be made a part of the record.

[The statement follows:]

STATEMENT OF TIMOTHY F. CLEARY, FORMER CHAIRMAN, OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Mr. Chairman, I appreciate this opportunity to present for your consideration the fiscal year 1982 appropriation request in the amount of $8,202,000 for the Occupational Safety and Health Review Commission. This request represents an increase of $342,000 and a reduction of 15 positions from the resource levels approved by the Congress for fiscal year 1981.

The details of the changes in funding requirements are provided in the submission before you. However, I would like to highlight the significant parts of our submission.

The workload of the Commission continues to increase. The Commission received 7,963 new cases in fiscal year 1980. This volumne of cases prepresents approximately 13% of all OSHA inspections and is an increase of 1,025 cases above the levels for fiscal year 1979. Current expectations are that the Commission will receive between 7,500 and 7,750 new cases in fiscal year 1981 and 1982.

The case disposition rate of the Commission's Administrative Law Judges continutes to increase substantially. The rate of increase has been 39.6 percent. The average time for case disposition has been reduced from 6.5 months in FY '79 to 4.6 months.

Experimental simplified proceedings for less complex cases before the ALJ's were implemented in March 1980. While the use of these proceedings started slowly, they have been increasingly resorted to by both the Government and private parties. When used, the proceedings have resulted in reduced time between assignment of cases and ALJ orders; increased rate of dispositions by ALJ's, and reduced costs of litigation to the parties.

We are in the process now of reviewing our experience under the simplified proceedings rules with an eye toward improving their efficiency. Our own program of procedural reform does not stop here. We are also looking closely at discovery practices before the Commission. Much has been written about discovery abuses in the Federal courts and the steps that have been recently taken to correct some of them. Discovery abuses are not unique to judicial proceedings. They may also be found in some administrative proceedings. While it is recognized that discovery is useful and perhaps even essential in some major cases, it is also recognized that discovery has resulted in the delay in case dispositions in some instances. We are trying to correct this.

When I spoke to you last year, I mentioned that the Commission had undergone a significant reorganization involving the staffs of the Commissioners and the Office of the General Counsel. The reorganization shifted the primary responsibility for production of cases before the Commissioners to the Office of the General Counsel from the Commissioners' personal staffs. I can now say, without reservation, that the reorganization has been a success. In the last fiscal year, Commission case productivity at the review level increased by almost 44% when compared to the previous fiscal year. We reduced the Commission's case inventory or backlog by almost 100 cases and reduced our months of work inventory from 33.2 months at the close of fiscal year 1979 to 18.4 months at the end of fiscal year 1980. The Commission's case production goal for fiscal year 1980 was 15 cases per month. We exceeded that production goal by almost 3-1/2 cases per month, averaging 18.4 cases per month for the entire fiscal year. Our production goal for fiscal 1981 is 20 cases per month and early production statistics for fiscal 1981 indicate that we should more than meet that goal.

The Commission has continued its program of conducting 1-day seminars around the country to explain its role under the Occupational Safety and Health Act. The seminars have been extremely well attended, and the reaction to the Commission's efforts has been very positive from a wide group of trade associations, employers, employees, unions, small business persons and consumer groups.

Mr. Chairman, as I stated last year, I remain committed to the goal of the Occupational Safety and Health Act. I continue to believe that it is among the most advanced and important pieces of remedial legislation ever enacted by the Congress of the United States. My staff and I are now ready to answer any questions you and the subcommittee may have.

THE HONORABLE TIMOTHY F. CLEARY

CHAIRMAN OF THE OCCUPATIONAL SAFETY AND
HEALTH REVIEW COMMISSION

The Occupational Safety and Health Review Commission, an independent quasi-judicial agency of the United States, was established pursuant to the Occupational Safety and Health Act of 1970 to adjudicate contests initiated by employers or employees challenging enforcement actions of the Secretary of Labor.

Mr. Cleary, who was designated the Chairman by President Carter on August 31, 1977, has served with the Commission since its inception in various capacities. He was recently appointed to a second 6-year term as Commission member in April of 1979. He was first appointed a Commission member in 1973 by President Nixon after serving as the first Chief Legal Counsel at the Commission. In the latter capacity, Mr. Cleary became closely acquainted with matters of law and policy relating to the Occupational Safety and Health Act. His previous experience in the Office of the Solicitor, United States Department of Labor, allowed him to gain a broad background in the labor standards law field by litigating legal cases arising under a number of labor standards statutes and Federal worker compensation laws. Before coming to Washington, D.C., Mr. Cleary served for eight years as a prosecuting attorney with the New York City Police Department.

He was a World War II Naval Aviation veteran and holds a Bachelor of Science degree (cum laude) and a Doctor of Jurisprudence degree from Fordham University. He has been a member of the New York State Bar since 1959 and has been a strong advocate of regulatory reform during his tenure with the Commission.

20-PERCENT CUT

Senator SPECTER. As with the preceding witness, it would be my preference if we go right to the central issue, and that is, if the recommendation provided in the Senate Human Resources Committee Report is followed, a 20-percent cut in your agency, what would the effect be on your operation?

Mr. BARNAKO. I have a question first, Senator.

Does the 20-percent cut apply to President Carter's budget or President Reagan's budget? I assume that it applies to President Reagan's budget.

Either way I am not able to respond today. I don't know how it would affect us.

We are a creature of the Occupational Safety Health Administration in the sense that the number of cases we receive is to some extent a function of the number of inspections that the Department of Labor makes. If OSHA makes 60,000 inspections a year, we are bound to get a certain percentage of those in notices of contest before us.

That percentage has gone from approximately 3 percent in fiscal year 1972, of all inspections each fiscal year, up to as much as 13 percent in the last fiscal year.

This means that we are anticipating on the basis of the inspections made by OSHA in the last fiscal year, something like 7,500 cases in the next fiscal year.

COMMISSION BACKLOG

Senator SPECTER. What is your backlog at the present time?

Mr. BARNAKO. As of March 1, our backlog of cases before the full Commission was 307 cases. That is a decrease of 112 cases from the last fiscal year. The backlog of cases before the ALJ's on March 1 was 2,081 cases.

Senator SPECTER. How do you account for that?

Mr. BARNAKO. We have been working hard to reduce the backlog. The former chairman reorganized our method in writing decisions and required a change in the organization of our attorneys in order to speed up the case dispositions. We have been able to reduce the backlog first by that reorganization. A second consideration is that we have been very judicious in directing decisions for a full Commission review.

Each of us has discretion to direct cases for review on our own motion without a petition from a party, or to grant a petition from a party. In most cases we do not direct review when no party files a petition. We feel that if they didn't petition, they were satisfied with the result.

Second, we are careful to stay away from most cases in which there was only matters of fact involved. So long as we feel there is evidence to sustain the ALJ's decision, and it is clear that there is heavy dependence upon credibility findings, we let it go by.

Senator SPECTER. You have total discretion in the cases you take for review?

Mr. BARNAKO. Each of the Commission members has wide discretion as to the cases he will direct for review. A single Commission member can direct a case for review.

Senator SPECTER. What is the oldest case pending before your review commission?

Mr. BARNAKO. Offhand I would say certainly there are some before the full Commission that are as much as 4 and 5 years old. The majority of cases before the Commission would be in the area of 2 years at this point. There were some very old cases involving problems which were of major importance which have been up before the appellate courts and back down again. We have had them several times.

Senator SPECTER. What is the oldest case pending before your Commission, which is yet to be decided by your Commission?

Mr. BARNAKO. I can't tell you precisely offhand. I know that we have one which dates back to 1973.

Senator SPECTER. It's not yet been decided by your Commission?

Mr. BARNAKO. It has been decided several times, but it has been up to the appellate court, back down again, back down to the administrative law judge, and back up again.

Senator SPECTER. My question is, what to your knowledge is the longest case which is pending before your Commission which hasn't been decided?

Mr. BARNAKO. I'm sorry, I misunderstood you.

I would say probably about 3½, 4 years—closer to 3½ years.

Senator SPECTER. Isn't that a very long time?

Mr. BARNAKO. Yes; it is a long time.

Senator SPECTER. What's the reason for that?

Mr. BARNAKO. There are many reasons for overall delay. We are, of course, at the mercy of the party's continuances in trials, delays in the filing of briefs, motions, interrogatories, and other forms of discretionary actions before the ALJ. This is before the case has come before us. Mainly, however, it is because of the backlog built up over a period of years. At one time in 1976, one former Commissioner directed every case be reviewed by the full Commission that ALJ's decided. In addition, the Commission was without a third member from April 1977 until April 1978 and there was no quorum to issue decisions where the two Commissioners could not agree.

Senator SPECTER. When you say you have 307 cases pending, is that before the review Commission?

Mr. BARNAKO. Those are ALJ decisions that are before the Commission members.

Senator SPECTER. By that do you mean the decision has already been made by the administrative law judge?

Mr. BARNAKO. Correct; it is before us for review of his decision.

Senator SPECTER. Are you saying you have some cases that have been before your review Commission after the decision of the administrative law judge for as much as 3 years?

Mr. BARNAKO. I have to admit that's true.

Senator SPECTER. There's no issue of continuance at that point, is there?

Mr. BARNAKO. No.

Senator SPECTER. Is there any issue of delay with the litigants with respect to filing briefs, or any other procedural——

Mr. BARNAKO. Yes; off and on, but it would not be primarily responsible for the delays I am talking about. I might state there was a time when our backlog was as high as 1,000 cases.

We have been reducing that backlog gradually, but at an increasing rate since we reorganized the Commission.

At the current decision rate, the time period for a case from the time it is directed for review until a Commission decision is issued is about 18 months, whereas a couple of years ago it was as much as 33 months. We hope to get the average down to 1 year or less by continuing the present system.

COMMISSION EMPLOYMENT

Senator SPECTER. How many people are employed by the Commission?

Mr. BARNAKO. We have 163 full-time employees at the present time.

Senator SPECTER. Does that take into account the proposed 20-percent cut?

Mr. BARNAKO. No; it does not.

Senator SPECTER. Have you had an opportunity to assess what the effects will be with the 20-percent cut, with respect to the number of people you will be able to employ?

Mr. BARNAKO. No, sir; we have not.

Senator SPECTER. Are you able then, realistically, to respond to the effect of the 20-percent cut?

Mr. BARNAKO. I don't think I can at this point.

Naturally, as I said at the opening, a lot is going to depend on whether the cuts are across the board, including the Department of Labor and their inspection volume.

Senator SPECTER. I'm sorry, I can't hear you.

Mr. BARNAKO. If the cut goes across the board and the Department of Labor also receives a 20-percent cut, and the Department cuts its inspection activity, then we would expect to have fewer cases because of fewer inspections.

Senator SPECTER. It is going to take some time for that to catch up with you, however. Those inspections were made, those citations are in the pipeline, so to speak, at the present time.

Mr. BARNAKO. That's right. If the 20-percent cut was implemented in the very near future, and the Commission had to make immediate reductions, then it is very probable that the backlogs would increase as well as the disposition time periods. In all probability, the Commission would not see the effect of the cut in a decreased caseload until fiscal year 1982.

DISPOSITION TIMES

Senator SPECTER. What is the average length of time from the time of inspection until the time a case reaches your docket?

Mr. BARNAKO. We are not able to provide the data from the time of inspection by OSHA. However, I can tell you that during fiscal year 1980, the average times to dispose of cases from the time they were assigned were 212 days for cases disposed of without hearing by an ALJ; 340 days for cases disposed of with hearings by an ALJ, and 917 days for cases heard and directed for review.

Senator SPECTER. That's an average figure?

Mr. BARNAKO. Those are the average disposition times for all dispositions during fiscal year 1980.

Senator SPECTER. So in any event it would be at least a 6-months' lag. For the cases which are already in the pipeline it would take 6 months before a reduction of the inspection forces would show a correlative reduction in the cases which come to you?

Mr. BARNAKO. I think that's a fair statement, Senator.

Senator SPECTER. I think the subcommittee would be very interested to have your assessment as to what the 20-percent reduction would mean, because that is going to be the issue which is going to have to be decided upon by the Appropriations Committee. And obviously, that matter has come before you with too little time for you to really respond. But, if you could respond to that question, we would very much appreciate it.

Mr. BARNAKO. We shall respond very promptly.

[CLERK'S NOTE.—The response is contained within the questions which are submitted for the record.]

COMMISSION CASELOAD

Senator ABDNOR. Mr. Barnako, I was just looking at your statement.

Getting to the cut and what it would do to your group. I couldn't help but notice your statement noted the Commission received 7,963 cases in fiscal year 1980, which was a 13-percent increase.

Mr. BARNAKO. The 7,963 cases received in fiscal year 1980 was 13 percent of the total number of OSHA inspections during the same period.

Senator ABDNOR. I guess this would have to mean there are more infractions and inspections going on today than ever before. Is that right?

Mr. BARNAKO. There are more——

Senator ABDNOR. There are more penalties than ever before in the OSHA field? I guess it is safe to assume you are receiving a larger workload?

Mr. BARNAKO. The number of inspections have been fairly consistent over the past several years. I think it is merely a matter of more contests resulting from those inspections. They have been increasing for the past several years.

For example, I have charts here to show those—the chart over on my right will show you the trend in the notice of contests since 1972. You will notice a continual increase, except for the period when it shows a drop in the transition period.

Of course, if you put those two periods together, the transition period and fiscal year 1976, it would show a continuing increase even in that period of time.

Senator ABDNOR. Of all your hearings, what is the percentage of reversals that have been handed down over a year's time?

Mr. BARNAKO. It depends on what you are looking at as reversals. An analysis of the rulings of the ALJ's and Commission indicates that allegations are affirmed totally in approximately 25 percent of all cases. Allegations are vacated totally in approximately 24 percent of the cases and they are modified in the remaining 51 percent of the cases.

Senator ABDNOR. Those are interesting figures.

Let me ask you for my own information. By the time the party who carries this to the top, doesn't he usually add a lot more into the cost of fighting the charge, than the actual fine itself?

Mr. BARNAKO. Probably in the majority of cases, yes. Where they come before us, even though it is what we call a pro se respondent, namely one who is representing himself, the costs that are involved including witnesses, travel, and time lost probably is more than the fine would have been.

Senator ABDNOR. Obviously, whichever group or company does this, it is a matter of principle. They truly believe they were unduly charged for the infraction or citation and are willing to go to all the trouble and expense.

Are your people located so that no one has to travel too far to appear before you?

Mr. BARNAKO. Yes, we have offices for administrative law judges located in nine regional offices. Our principle is that we locate offices in the areas where people are located, and we have the judges travel to the area for the hearing where the parties are, to save them the costs of traveling to our offices.

Our judges do a great deal of traveling in order to hear and try the cases. We do this in order to save the parties money.

Senator ABDNOR. Do you have people who go into South Dakota?

Mr. BARNAKO. Yes; as a matter of fact we have conducted 10 hearings in South Dakota during the past year.

Senator ABDNOR. We have businesses and we feel pretty strongly sometimes about the charges levied against the businesses. It becomes more a matter of principle for some people. They feel very strongly that they are in the right.

Mr. BARNAKO. Senator, if I may say so, when you say "principle," what this means in the vast majority of cases, is that the cited party clearly feels that he has been wronged and that the citation is in error. Therefore, he responds by counseling.

Senator ABDNOR. Fine.

SUBMITTED QUESTIONS

We may have some additional written questions that we may want to submit to you, and you can answer those in writing if you wish.

Mr. BARNAKO. We will be glad to.

Senator ABDNOR. We will ask you to submit answers to questions for the record when you correct your testimony.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RELATIONSHIP TO OSHA INSPECTIONS

Question : Explain how you calculate your budgetary needs based on the level of OSHA inspections.

Answer : The budget estimate is partially based upon the level of OSHA inspections insofar as being an indication of the projected new case load that may result from the level of inspections. The caseload estimate of course is utilized to estimate man-year resources, based upon estimated productivity rates required to process the caseload in accordance with Commission established goals.

Question : If appropriations were cut 20 percent for fiscal 1982 Federal OSHA inspections, and 10 percent for State inspections, how much could your budget be cut to reflect reduced workload?

Answer : At the outset, it should be noted that a 10% reduction in state inspections will have no impact on the workload of the Occupational Safety and Health Review Commission because the Review Commission does not have jurisdiction over contests generated by state inspections. As for the possible 20% reduction in federal OSHA it would be most unlikely that the Review Commission's caseload would be reduced by a like percentage. The Review Commission's caseload is a function not only of the number of inspections undertaken by OSHA, but varies with the notice of contest rate as well. In a recent edition of the Occupational Safety and Health Reporter published by the Bureau of National Affairs, Thorne G. Auchter, President Reagen's choice to head the Occupational Safety and Health Administration, indicated that OSHA would target inspections in order to concentrate on workplaces with "the poorest records relative to worker safety and health." If OSHA is successful in targeting their inspection resources on workplaces more likely to have violations, the actual number of violations discovered by OSHA may well remain the same as in previous years when inspection resources were employed in a less targeted fashion. In other words, 20% fewer inspections may well generate the same or a higher number of actual violations (citations), and if we can assume that the notice of contest rate either will remain the same or increase, it follows that the Review Commission's caseload may not change appreciably.

CASELOAD

Question : How many cases are currently pending?

Answer : At the end of February, 1981, there were 2,081 cases awaiting disposition by the Administrative Law Judges and 307 cases awaiting decisions by the Commission members.

Question : What is the current processing time for a case filed with the Review Commission under the simplified process?

Under the regular process?

Answer : The current processing time for a cased filed with the Commission that is processed by simplified proceedings is 4 months from receipt of Notice of Contest to ALJ disposition

The average time required to dispose of a case under the regular process from the time it was assigned until it was resolved is as follows:

cases disposed of without hearing by ALJ	105 days
cases disposed of with hearing by ALJ	233 days
cases heard and directed for review	917 days

Question : How many new cases a year are filed with the Review Commission

Answer : In fiscal year 1980, the commission received 7,963 cases, which was an increase of 1,025 cases above the fiscal year 1979 volume of 6,938 cases. The caseload has increased each fiscal year since the Commission was established in fiscal year 1972.

Question : What can be done from inside the Occupational Safety and Health Review Commission to make the Commission a more efficient, more effective operation?

Answer : From the standpoint of improving the prehearing and hearing procedures, the Commission has outlined before this Committee two major areas. The first concerns simplified proceedings. This is an effort by the Commission to improve upon experimental rules that afford parties an alternative to the full trappings of a conventional hearing in what may be expected to involve simple issues as distinguisehed from complicated issues. The Commission expects in the next few weeks to receive public comments concerning improvement of rules of this kind.

The second concerns improvement of the Commission's discovery procedures. The Commission's rules do provide for some forms of discovery. Indeed, in difficult health cases some discovery concerning likely expert testimony is essential for a fair hearing. Nevertheless, our experience has shown that some abuses of discovery have occurred. The abuses are not unlike those occurring in the Federal district courts. This is a matter currently being explored with the OSHA Committee of the Labor and Employment Relations Committee of the American Bar Association. It would ultimately be a matter for public comment before any rules changes are made.

At the review level of the Commission, the reorganization of the Commission's attorney resources into one Office of the General Counsel has resulted in a 52% increase in production over the period of time since August 1979. Over that same period of time, the Commission's case inventory at the review level has gone from 446 cases on August 6, 1979, to 307 cases on March 1, 1981. Overall, since August 6, 1979, the date of the reorganization, the Commission has become a more efficient and more effective operation at the review level, particularly in promptly returning cases for further proceedings where necessary.

Presently, the Review Commission is studying several proposals to promote informal resolution of cases now pending on review and to spealize in the use of legal services in the office of the General Counsel.

Question : To what extent has the backlog of cases increased or decreased over the past year?

Answer : At the beginning of fiscal year 1980 the backlog of cases before the ALJ staff was 2,529 cases. At the end of fiscal year 1980 the ALJ backlog was 2,468 cases, a decrease of 61 cases during the year. At the end of February 1981, the backlog was 2,081 cases. The backlog of cases before the Commission was 419 at the beginning of fiscal year 1980 and 342 at the end of the fiscal year. At the end of February, 1980, the backlog was 307 cases.

Question : Do you feel that the sometimes conflicting opinions issued by the Review Commission benefits or detracts from the image of the Agency?

Answer : Before addressing the question directly, several points must be made. First of all, the Commission does seek to achieve concensus decisions. It may be accepted a priori that concensus decisions are the most desirable for the guidance of the public. The second principle is that the Commission has a statutory obligation to conduct speedy proceedings. A balance must be struck between need to render a decision regardless of the possible divergence of opinion between Commission Members against the desirability of having a concensus decision. There are situations where the balance must rest with issuing an opinion with perhaps concurring and dissenting views being expressed by the Members. The third matter to be mentioned is that on judicial review there has been no difference in the percentage of success between cases where the Commission's action has been by divided vote or unanimous vote.

It must be noted that the Act is comparatively new and only recently are clear guiding precedents being set by courts of appeals and the supreme court. Further the three commissioners represent differing philisophies, experience and concerns. The fact is however, that the overall position at the Commission is clear to those who appear before us.

My opinion is that the occasionally conflicting opinions of the Commission members has not detracted from the image of the Agency at least among those who are knowledgeable of the difficulty of the issues involved. It should be noted for example that the Supreme Court itself badly fragmented its recent American Petroleum Institute case (the benezene case). Four Justices voted to affirm the Fifth Circuit's decision. A fifth Justice voted for affirmance on other grounds. Four Justices dissented. Just one demonstration that issues the Act presents are sometimes difficult.

ONE-DAY SEMINARS

Question : How many seminars have you given?

What has been the Public Response?

Answer : The Commission has conducted six seminars since beginning this educational program. The response has been overwhelming. At our last seminar in Kansas City, Missouri, attendance was over 600 persons. The audiences are always enthusiastic, especially when many of them learn for the first time that the Occupational Safety and Health Review Commission is not part of OSHA. Many in the audiences find it almost unbelievable that an agency of the Federal Government would take the time to reach out to the people of the Nation in order to explain its role and how it functions. Those in the audience leave the seminar with a clear understanding of what the Commission is and how the Commission can be of service to them. Registration for our next seminar in Newark, New Jersey, is already over the 600 mark.

TRAVEL

Question : How many annual trips per capita are made per year by your employees?

How does your Agency's average length of trip, in days, compare to the government-wide average of 8.8?

What is the average cost of trips made by your employees?

What is the actual average cost per trip? The government-wide average is 176?

What percentage of your trips accounts for:

- Operational or managerial activities?
- Travel for training?
- Informational Meetings
- Conferences?
- Speeches or presentations?
- Special Mission Travel?
- Relocation of employees?
- Unknown reasons (Blanket Authority to Employees)?

Answer : The majority of travel conducted by Commission employees is conducted by the Administrative Law Judges in the performances of their duties. Of the 296 trips conducted during fiscal year 1980, the ALJ's conducted 259 in the performances of their duties. On a per capita basis there was 1.8 trips per employee during fiscal year 1980. The average length of trip was 3.2 days and the average cost was $314. This average cost includes transportation and per diem expenses. The purpose of the trips conducted during fiscal year 1980 break down as follows:

- Operational or managerial activities	88%
- Informational meetings	1%
- Conferences	1%
- Speeches	9%
- Relocation of employees	1%

NATIONAL MEDIATION BOARD

STATEMENT OF GEORGE S. IVES, CHAIRMAN

ACCOMPANIED BY:
ROBERT O. HARRIS
ROBERT J. BROWN

SUBCOMMITTEE PROCEDURE

Senator ABDNOR. We will hear from the National Mediation Board next. We will hear from George Ives, who is the Chairman of the Board. Mr. Ives please come forward.

Mr. Ives, we welcome you to our hearing today, and we will ask you to introduce the gentlemen with you.

Mr. IVES. Thank you, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

On my left is my colleague, Robert Harris, and on my right is my colleague, Robert Brown.

Senator ABDNOR. Do you have a statement?

Mr. IVES. We submitted our statement. If you would like us to, I can summarize our activities, if you care to hear it.

PREPARED STATEMENT

Senator ABDNOR. Your statement will be printed in the record in its entirety.

[The statement follows:]

STATEMENT OF GEORGE S. IVES

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for fiscal year 1982.

The total amount requested for fiscal year 1982 to administer the Railway Labor Act is for a personnel complement of 63 positions and $5,044,000, an increase of $161,000 over the fiscal year 1981 level of $4,883,000.

The appropriation for the National Mediation Board is requested for expenses necessary to carry out the provisions of the Railway Labor Act, as amended. The Act is administered by the National Mediation Board. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries. Additionally, the Mediation Board handles questions of representation as they arise in these industries and interprets agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of disposing of grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456, which further amended certain provisions of section 3 of the Act. Under the public law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of at least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for fiscal year 1982 we are requesting $2,776,000, an increase of $99,000 over last year due to mandatory changes. These services which are the responsibilities of the National Mediation Board, involve the making and amending of collective bargaining agreements, the selection by employees of their bargaining representatives, as well as a number of administrative duties consistent with statutory authority under the Act, and related statutes governing railroad and airline labor disputes procedures.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. In arbitration proceedings, disputes are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to section 10 of the Act. When the Mediation Board finds that a dispute threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Mediation Board is requesting $184,000 for these activities, the same amount as allocated last year.

Boards of Adjustment

Another activity of the Mediation Board is the administration of the adjustment of grievances as authorized by Public Law 89-456, which amended certain provisions of section 3 of the Railway Labor Act.

In general, the amendment authorized the establishment of special boards of adjustment, known as public law boards, on individual railroads upon written request of either the representatives of employees or of the railroads to resolve disputes otherwise referable to the National Railroad Adjustment Board, and those disputes pending before the Board for one year.

The amount requested for boards of adjustment is $1,056,000, an increase of $15,000 over fiscal year 1981. The increase is to cover cost of travel.

Adjustment of Railroad Grievances (NRAB)

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of agreement rules. Administrative responsibility and fiscal expenditures by the Adjustment Board were placed with the Mediation Board.

The total request for fiscal year 1982 for the National Railroad Adjustment Board is $1,028,000, $47,000 more than allocated for 1981.

This completes my statement. We will be happy to answer any questions you may have.

BIOGRAPHICAL SKETCH

NAME: GEORGE S. IVES

PRESENT POSITION: Member, National Mediation Board, Wash., DC 20572

BORN: January 10, 1922, Brooklyn, New York

SCHOOLS: Dartmouth College, 1943, A.B.
Cornell University Law School, 1949, LLB.

CAREER HIGHLIGHTS:

1943-46 -- U.S. Navy Reserve (Lt. S.G. Ret)

1949 -- Admitted New York State Bar

1949-50 -- Legal Assistant to Chairman, National Labor Relations Board, Paul Herzog

1950-53 -- Associate Attorney with Simpson, Thatcher & Bartlett, New York City.

1953-58 -- Administrative Assistant & Legal Counsel to U. S. Senator, Irving M. Ives (N.Y.)

1959 -- Admitted to Bar of the District of Columbia

1959-69 -- Private practice of law & labor arbitration, Wash. DC

1969 to Present -- Appointed by the President and confirmed by the Senate as a Member of the National Mediation Board. (Reappointed in 1972, 1975 and 1978). Served as Chairman in 1970, 1971, 1974, 1977 and 1980.

PROFESSIONAL MEMBERSHIP

American Bar Association; New York State Bar Association; District of Columbia Bar Association; National Academy of Arbitrators; American Arbitration Association and the Society of Professionals in Dispute Resolution (SPIDR).

SUMMARY OF STATEMENT

Mr. IVES. The National Mediation Board administers the Railway Labor Act, as amended, which was designed to provide orderly procedures for settlement of labor disputes in the railroad and airline industries.

It is a very small agency. We have a complement of 63 authorized positions.

Our functions, primary functions, are mediation in connection with collective bargaining, questions concerning representation of employees covered by the act. We also have jurisdiction over the Railroad Adjustment Board in Chicago, and we interpret provisions of collective bargaining agreements reached through the mediation process.

Our budget I believe you have. Do you want me to read that?

Senator ABDNOR. No.

I would appreciate it if you would allow us to ask you some questions.

What are the changes between the original fiscal 1982 budget request, and the revised request under the Reagan administration?

Mr. IVES. If I may read a short statement, this is an explanation of the changes and reduction in operating expenses for fiscal 1982.

The proposed pay supplemental for fiscal year 1981 has been further reduced from $103,000 to $52,000. This reduction of $51,000 was reached pursuant to instructions received from the Office of OMB, Bulletin No. 81-7, which required the National Mediation Board to reduce its travel allotment by 15 percent, or $46,000.

The National Mediation Board asked OMB to exempt the Board from the reduction specifically imposed on object class 21, and to allow the Board to reduce other object classes by a comparable amount.

OMB agreed to a waiver. The reduction was absorbed by reducing the allotment for printing, binding, reporting services, contractual services for the ADP.

In addition, the object class for equipment was also reduced by $5,000 following instructions from OMB.

In order to comply with the OMB directive, the Mediation Board has also reduced the 1982 budget request of $5,043,000 by $83,000. The reduction has been applied for utilities, printing and binding, reporting services, and contractual services for the ADP.

The object class for equipment was reduced by $10,000 as instructed by OMB.

Senator ABDNOR. Let me ask you when the Mediation Board finds that a dispute threatens substantially to interrupt interstate commerce in the private sector of the country, as in essential transportation, it notifies the President to create an emergency board to investigate and make recommendations as to the settlement of the dispute. That's correct, isn't it?

Mr. IVES. Yes.

Senator ABDNOR. Has there been a need for the emergency board?

Mr. IVES. Actually they are sporadic and predictable.

For instance, there has not been an emergency board in the airline industry recommended by this agency since 1966. Now the airline industry collective bargaining is on a carrier-by-carrier basis.

In the railroad industry, by contrast, collective bargaining is on a national basis, with all of the Nation's class I railroads involved in the bargaining, and all of the unions—some 14-odd international unions representing employees—bargaining with them jointly.

We are now entering into that phase. This occurs every 3 years if they have 3-year agreements, which has been customary. In recent years it is a 3-year cycle. So, we are entering into that period.

Now, there were two emergency boards last year. I think we applied for five. We thought we might have more than we did have, but there were only two. Again our projection is five during the coming year. For the coming year that may be a little high, because bargaining—national bargaining has not really gotten off the ground. But I suspect that it might be conservative in the following year. We just don't really know at this point.

And, incidentally, the money is returned that is not used for that purpose.

SUBMITTED QUESTIONS

Senator ABDNOR. I believe that's all the questions we have at this time. But, we will be submitting some questions for the record and will give you the opportunity to respond in writing.

Mr. IVES. We will certainly comply, Senator. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RAILROAD GRIEVANCE ARBITRATION

Question: Has the National Mediation Board any plans for conducting research on whether or not the Government subsidy of railroad grievance arbitration should be eliminated?

Answer: No we are not conducting any research regarding whether Government subsidy of railroad grievance arbitration should be eliminated. However, in the Report to accompany HR 7998, dated August 21, 1980, the House Committee on Appropriations requested that the Board conduct a study of the compensation of neutral referees at the National Railroad Adjustment Board. The study has been completed and the results submitted to your committee for your information.

BACKLOG OF CASES

Question: What is the extent of backlog of grievances before the National Railroad Adjustment Board? The special boards of adjustment? The public law boards?

Answer: In recent years pending caseloads for Public Law boards, and the National Railroad Adjustment Board have remained basically unchanged, but the caseload for special boards of adjustment has dropped.

Question: What has been the Mediation Board's efforts to expand its roster of referees and arbitrators for use in reducing the backlog of cases before the National Railroad Adjustment Board, the special boards of adjustments and public law boards?

Answer: The Board continually reviews applications of potential arbitrators in the effort to find qualified people to add to the list. At the present time the roster contains approximately 350 names. However, only about 75 individuals are utilized by the parties on a regular basis.

REDUCING FEDERAL INVOLVEMENT

Question: To what extent has the Mediation Board encouraged management to settle grievances at the workplace by the parties themselves? Does the Board provide training in grievance settlement to labor and management in the railroads?

Answer: The Board has no authority under the Railway Labor Act to enforce the settlement of grievances by the parties. However, the parties are encouraged to reduce large numbers of like issues by submitting such common issues to a single neutral for disposition. This has resulted in the greater use of stare decisis and in the settlement of such disputes by the parties.

The Board regularly provides assistance to management and labor to train individuals to handle grievance settlement by participating in seminars and workshops sponsored by various organizations and carrier groups that deal with grievance procedures.

Question: The Board is authorized to refer new grievances and those which have been on the Board's docket for a period of one year to local boards of adjustments for resolution.

a. How successful have these local adjustment boards been at settling disputes?

b. Has the Board's caseload been reduced as a result of these referrals?

Answer: Local boards have been very successful. Since the passage of PL 89-456 in June, 1966, nearly 2,900 public law boards have been established and approximately 50,000 disputes have been resolved.

TRAVEL

Question: Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by Government employees. A partial report recently revealed that Government travel spending runs about $3 billion a year.

a. How many annual trips per capita are made per year by your employees?

b. How does your agency's average length of trip, in days, compare to the Government-wide average of 8.8?

c. What is the average cost of trips made by your employees?

d. What is the actual average cost per trip? The Government-wide average is $176.?

e. What percentage of your trips accounts for:

- Operational or managerial activities?
- Travel for Training?
- Information meetings?
- Conferences?
- Speeches or presentations?
- Special mission travel?

- Relocation of employees?
- Unknown reasons (blanket authority to employees)?

Answer: a. The mediators of the National Mediation Board made 16.74 trips per capita during FY 1980. If we include all employees the trips per capita drops to 6.95 trips.

b. The average length of a trip, in days, for the mediator staff of the Board is 3.58, for all employees the average length is 2.24 days.

c. The average cost of a trip is $409.52 which includes all costs associated with travel.

d. The average cost of a trip is $409.52.

e. The percentage of trips made by the Board's employees for

- Operational purpose is 91 percent
- Training purpose is 7 percent
- Information purpose is 1 percent
- Conferences purpose is 0 percent
- Speeches purpose is 1 percent
- Special Missions purpose is 0 percent
- Relocation purpose is 0 percent
- Unknown purpose is 0 percent

The ability to travel is vital to the operations of the Board. The operations of the Board are directed from Washington, DC. No field offices are maintained with a considerable saving to the Government. Field mediators, strategically located, travel throughout the country to meet the needs of the Board in providing services to its constituents as mandated by the Railway Labor Act. The art of mediation cannot be practiced by telecommunication, it must be done at the site of the dispute.

COMPUTER SYSTEMS

Question: During last year's hearing you testified that since the Board was unable to obtain a satisfactory bid in response to a request for proposals (RFP) for computer support, the Board reevaluated its initial approach and decided to separate the RFP into two parts, one dealing with caseload activity data and the other with text retrieval. The Board planned to implement the first part by acquiring a mini-computer and contract for software support and examine alternative approaches to implement a text retrieval system.

* What is the status of the implementation of the automatic data processing (ADP) information retrieval system?

* Did you use in fiscal 1980 all of the funds originally budgeted for this new computer system?

Answer: The FY 1981 is the first year of actual ADP operations. A Hewlett-Packard Computer (HP-3000) was installed on October 28, 1980, and became operational in January 1981. Since then the following progress has been made.

a. 1. A system has been established by department to maintain security access.

2. A system table-of-contents processor was created allowing the user to sign on and select the activity desired.

3. Development of a Case Tracking System (CTS) is also underway. The CTS enables the NMB to readily identify important issues relevant to current investigations of representation disputes.

4. An extensive statistical-analysis system has been implemented to enhance the ability of the Research Department in analyzing and or predicting staff productivity, costs, etc.

5. Efforts are underway to design a mediator-scheduling system to facilitate the process of scheduling mediators and automate certain functions of the National Railroad Adjustment Board.

b. Of the total amount of $160,000 available in FY 1980 the Board obligated $150,537.

PROPOSED 20% CUT

Question: The Senate Human Resources Committee has recommended, in its March 15 report to the Budget Committee, a 20 percent cut in your agency. What would be the impact of a 20 percent cut below your fiscal 1981 appropriation?

Answer: A 20-percent cut below the fiscal 1981 appropriation would have a severe impact on all of the major functions of the National Mediation Board. The expedition with which the Board now provides mediatory services and handles representation disputes could be greatly impaired. The ability of the Board to provide such services in a timely manner plays an important part in maintaining stability in the relations between labor and management. Diminishment in this ability due to a lack of funds increases the potential for major industrial turmoil in both the railroad and airline industries. Since FY 1982 is a year of major contract negotiations in both industries, the Board believes that a reduction of the magnitude recommended by the Senate Human Resources Committee might severely hamper the Board's effectiveness. Regarding the 42 percent of the budget devoted to grievance adjustment, the diminution of funds will result in less cases being heard during the fiscal year with a resulting increase in the backlog of unresolved cases.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF RICHARD V. BACKLEY, CHAIRMAN

ACCOMPANIED BY:
FRANK F. JESTRAB
MARIAN PEARLMAN NEASE, COMMISSIONERS
JAMES A. BRODERICK, CHIEF ADMINISTRATIVE LAW JUDGE

SUBCOMMITTEE PROCEDURE

Senator ABDNOR. Our next group is the Federal Mine Safety and Health Review Commission. I would like to ask them to come forward.

We have Chairman Richard Backley. I would ask that you introduce the people with you.

INTRODUCTION OF ASSOCIATES

Mr. BACKLEY. To my right is my colleague, Commissioner Marian Pearlman Nease; to my immediate left is our Chief Judge, James Broderick; and to his left is Commissioner Frank Jestrab.

PREPARED STATEMENT

Senator ABDNOR. Do you have a statement?

If you would like we can insert your entire statement into the record.

Mr. BACKLEY. I would appreciate it, Senator.

[The statement follows:]

STATEMENT OF RICHARD V. BACKLEY

Mr. Chairman, it is a pleasure to appear before you and the Committee to present justification for our fiscal year 1982 budget request in the amount of $4,493,000. The budget request is $116,000 more than our fiscal year 1981 request, an increase of less than 3%.

Insofar as our FY '81 budget is concerned, I would like to point out that we are asking that $240,000 be deferred. We do so because we are of the opinion that the $240,000 reduction is warranted as a result of an updated appraisal of our needs, particularly in the area of additional personnel. This appraisal was occasioned by the hiring freeze imposed by President Carter on February 29, 1980, and President Reagan on January 20, 1981, and our adapting to those constraints. Simply put, we have not hired as originally projected and see no reason to do so. I want to stress, however, that our program goals will not be affected as a result of this deferral.

This additional request, I believe, accurately reflects our needs and is based on the past year's experience as well as our best projections. Except for the appointment of a fifth Commissioner, his counsel, and an Executive Director, we do not intend to increase our staff because we are of the opinion that present staffing is adequate to discharge our responsibilities.

Based upon our past history and on MSHA's projections, we anticipate that our workload will increase but at a level less than contemplated in our 1981 submission. We estimate that 4,122 cases will be filed in 1982. Although the number of penalty cases filed by MSHA has not increased as we anticipated, the number of review and discrimination cases have risen so that they now comprise 21% of our caseload. Just one year ago they represented only 12.5%. These cases are rarely settled, often are more complex than penalty cases, and require longer hearings. I should point out here that we do not intend to fill the four Administrative Law Judge (ALJ) vacancies that we presently have. At this time, we believe that our present corps of ALJs (16) will be able to expeditiously handle the caseload which we anticipate in 1982.

Projected obligations are divided between our two program areas: Commission Review ($1,873,000) and Administrative Law Judge Activities ($2,920,000).

The ALJs conduct hearings and issue decisions in contested cases initiated by the Secretary of Labor, mine operators and miners. They also are required by the Act to evaluate and approve settlement agreements. We presently have two Administrative Law Judge offices: one in Falls Church, Virginia and one in Denver, Colorado.

The Denver office was opened in October 1979 and has a complement of four Administrative Law Judges and support staff. This office has more than justified its establishment by serving the interest of miners and mine operators in western United States. These operators and miners are afforded more convenient and more expeditious hearings as a result of our opening this office.

As you know, the President has directed that there be a 15 percent reduction in government travel. We are complying with this directive. In order to effectuate this directive, we have asked our administrative law judges to make special efforts to avoid duplicate travel in the trial of cases by making appropriate adjustments in their dockets and trial dates. We are making every effort to do this and at the same time keep in mind that it is much cheaper and much less travel time is involved if an administrative law judge goes to the mining community for trial rather than having the litigants, including lawyers, management and union representatives and witnesses move to either Falls Church or Denver, Colorado. Accordingly, we are determined to effectuate the President's directive without imposing undue burdens on the industry.

Our Administrative Law Judge productivity remains at a very high level. With 17 Administrative Law Judges on board in 1980, they disposed of 3,912 cases. The overall ALJ productivity of all types of cases was 230 dispositions each. In 1981 we expect to dispose of 3,791 cases, which again is a disposition rate of more than 200 per Judge. For 1982, while not asking for funds to hire more ALJs we are aiming to dispose of 3,995 cases.

The Commissioner functions are to review Administrative Law Judge decisions, rule on Petitions for Discretionary Review and issue decisions to affirm, modify or vacate decisions directed for review.

The Commission started FY 1980 with a workload of 172 docketed cases. An additional 178 docketed cases were directed for review during the fiscal year.

During the year it was decided that a more appropriate way to present the Commission workload, as distinguished from that of the Office of Administrative Law Judges, was to consolidate those docketed cases appealed from Administrative Law Judge Decisions into a single case where a commonality of issues was presented in several dockets. In short, while at the Administrative Law Judge level a docket equals a case, at the Commission or Review level, one case may consist of one or more dockets.

Thus, the 172 docketed cases referred to above, cases on which final decisions were issued by Administrative Law Judges, actually resulted in 82 cases at the Commission level because of similar issues presented in several of the decisions. The 178 docketed cases that were directed for review in FY '80 involved 69 separate and distinct issues and, accordingly, 69 cases were docketed at the Commission level. We are of the opinion that the foregoing analysis more appropriately describes the workload at the Commission level.

In summation for FY 1980, the Commission started with a workload of 82 cases, directed 69 for review and decided 71. We thus begin FY '81 with 80 cases. In FY '81, we project that 83 cases will come before the Commission either by granting petitions for discretionary review or through the Commission exercising sua sponte authority. We anticipate disposing of 80 cases during the year.

In fiscal year 1982 we will begin with a workload of 83 cases and anticipate that the Commission intake will be approximately 87 cases and disposition of approximately 84 cases.

We are continuing to operate with a small personal staff for each Commissioner. We will continue to use the General Counsel's office to prepare draft decisions for the Commission's consideration; we believe this is the most effective utilization of personnel as opposed to larger personal staffs for each Commissioner.

Significant changes in our budget request are indicated on page 5, "Obligations by Object". We believe that based on two years past experience these costs are reflections of a more realistic approach toward outlays.

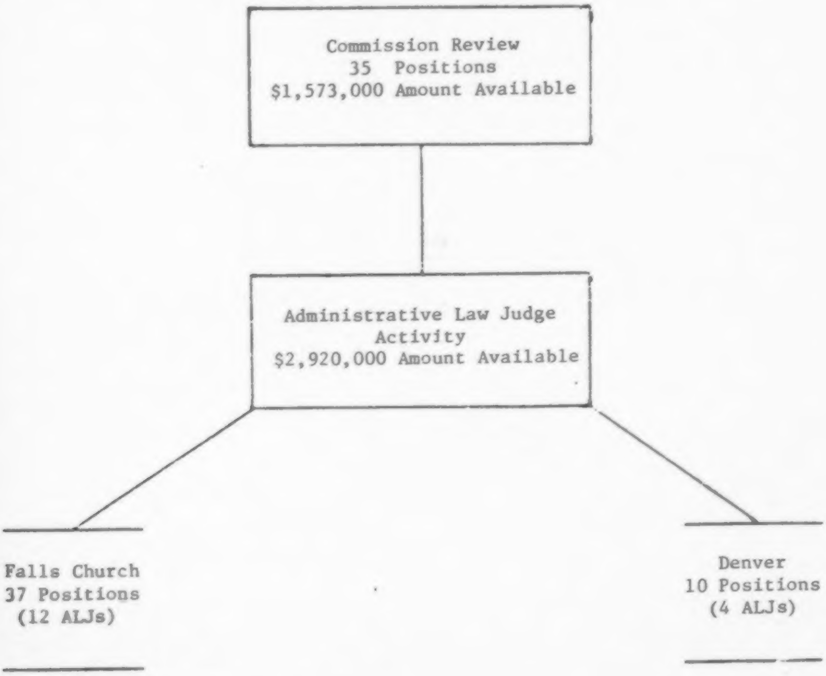
Thank you for the opportunity to present this statement. I'll be pleased to respond to questions from the Committee.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

The Commission was established as an independent adjudicatory body by the Federal Mine Safety and Health Amendments Act of 1977. That Act repealed the Federal Metal and Nonmetalic Mine Safety Act of 1966 and amended the Federal Coal Mine Health and Safety Act of 1969 by both expanding the provisions of the 1969 Coal Act and extending the coverage to include all mines, rather than only coal mines.

In brief, the agency conducts formal hearings (or approves settlements) in cases initiated by the Secretary of Labor, mine operators, miners and their representatives. It is also charged with the responsibility of reviewing the enforcement activities of the Secretary and protecting miners against unlawful discrimination. The statutory mandate of the Commission is to insure prompt and fair disposition of cases both at the Administrative Law Judge level and before the Commissioners.

The agency may be broken down into two functional components, similar to other judicial systems, with the initial hearing held before an Administrative Law Judge and review of his decision, if granted, processed by the Commissioners. This breakdown, reflecting number of personnel and dollar amounts available for obligation is shown as follows:



Chairman Richard V. Backley
Federal Mine Safety and Health Review Commission

Career federal employee with 25 years federal service, which includes 4-1/2 years of active service with the United States Navy.

Born Chicago, Illinois, July 21, 1927. Graduated from DePaul University Law School, 1955. Private practice of law, Chicago, 1955 to 1957. Trial Counsel Montgomery Ward, 1957 to 1960. District Attorney, Trust Territory of Pacific Islands, 1962 to 1967. Attorney, Department of Interior, 1967 to 1970.

Senior Trial Attorney, Division of Mine Health and Safety, Department of Interior, 1970 to 1974. Assistant Solicitor, Litigation, Division of Mine Health and Safety, Department of Interior, 1974 to 1975.

Administrative Law Judge, Civil Aeronautics Board, 1975 to 1978. Commissioner, Federal Mine Safety and Health Review Commission, 1978. (Presidential Appointment, Senate Confirmation.) Chairman of the Commission, 1980.

VITA

FRANK F. JESTRAB

BORN: Havre, Montana, January 28, 1914

Father - Frank F. Jestrab; born Cresco, Iowa, 1879; came to North Dakota with his father, Frank F. Jestrab and mother, Anna Jestrab, in 1882; left North Dakota for Montana about 1909, died 1942.

Mother - Anna U. Larson Jestrab; born Grantsburg, Wisconsin, 1879; died Minneapolis, Minnesota March 4, 1976. Her father, Jacob Larson, was appointed the first district attorney, Burnette County, Wisconsin, December 29, 1864.

EDUCATED: Havre Public Schools, Havre, Montana; Northern Montana College Havre, Montana; University of Montana, Missoula, Montana, received the LLB Degree 1938 Cum Laude and first in his class, received the Bachelor of Arts Degree 1946; special student Harvard Law School 1946.

MILITARY SERVICE: Attended Citizens Military Training Camp, Fort Missoula, Montana, summers 1930 to 1933 and completed the War Dept. 10 Series correspondence course and was commissioned a Second Lieutenant in Reserve in 1935. Served two years in the Aleutian Islands 1942-1944 as Infantry Platoon Leader, Company Executive Officer, and Battalian Supply Officer. Attended Officer's Pack Course Fort Riley Kansas, 1944; assigned to the 475th Infantry, a long-range penetration infantry unit in Burma. Served as an Infantry Platoon Leader and Company Commander, awarded the Bronze Star for Valor, released on terminal leave from active duty November, 1945, with rank of Captain.

MARRIED: Elvira Waidt Evensen of Williston, North Dakota, January 18, 1952. Two children, daughter Laurel Ann Lesch, who served with Vista program and a son, James David, who served in the United State Navy and is now an accountant.

MEMBER OF THE BARS: Montana, 1938; New York, 1947, Texas, 1948; North Dakota, 1951; Wyoming, 1951; Supreme Court of the United States, the United States Courts of Appeal for the Second, Eighth and Ninth Circuits, United States District Courts for the Districts of North Dakota, Montana and the Southern District of New York.

LEGAL CAREER: Legal Department, Anaconda Copper Mining Company, Butte, Montana, 1938-1942; Associate, Stanley W. Schaffer, 80 Broad Street, New York City, 1946-1948; practiced Houston, Texas, 1948-1949, lectured in Labor Law, University of Houston, Houston, Texas; legal department, Amerada Petroleum Corporation in Casper, Wyoming and Williston, North Dakota, 1949-1952; commencing in 1952, a partner in the firm of Bjella & Jestrab, Williston, North Dakota. This firm now has six lawyers.

PUBLIC SERVICE:

1. Appointed in 1956 by Governor Norman Brunsdale to the National Conference of Commissioners on Uniform State Laws, and he has continued to serve since that time.
2. Appointed on January 16, 1960 by Governor John Davis as a non-legislative member of a legislative committee to draft a labor statute. The chairman of the committee was the Honorable Ralph Beede of Elgin, North Dakota, and this committee drafted a statute enacted by the Legislature as the North Dakota Labor-Management Relations Act.
3. Appointed in 1965 as a citizens member of a legislative research committee for Constitutional revision for North Dakota, served on a subcommittee under the chairmanship of the late Honorable Fred Aandahl.
4. Represented Governor William Guy and Governor Arthur Link on the Interstate Oil Compact Commission 1967 to date.
5. Served as Chairman of the National Gas Survey Supply-Technical Advisory Task Force on Regulatory Aspects of Substitute Gas 1976.

STATE BAR ASSOCIATION OF NORTH DAKOTA: Served as chairman of the committee which drafted the Rules of Civil Procedure for the District Courts of North Dakota. Served on variou committees of the Association and was elected as President of the Association for the year 1966-1967. Served as a member of the North Dakota Judicial Council 1953-1957.

BAR ASSOCIATIONS:

1. Member and Past Chancellor, Association of the Bars of the Northwestern Plains and Mountains, an organization composed of officers and past officers of the Bar Associations of North Dakota, South Dakota, Montana and Wyoming.
2. Montana Bar Association.
3. New York State Bar Association.
4. Association of the Bar of the City of New York.
5. Texas Bar Association.
6. Wyoming Bar Association.
7. American Bar Association.
8. American Trial Lawyers Association.
9. Inter-American Bar Association.

OTHER PROFESSIONAL ORGANIZATIONS: Fellow, International Academy of Trial Lawyers; Fellow, American Bar Foundation; International Society of Barristers, Selden Society, American Judicature Society, American Law Institute.

FRATERNITIES: Phi Delta Phi, Order of the Coif.

SERVICE CLUB: Rotary Club of Williston, President 1957-1958; District Governor of District 558, 1959-1960.

DIRECTOR: Northwestern Federal Savings and Loan Association of Williston, North Dakota, August 1965 to date; Insured Titles, Inc., Wichita, Kansas, 1970 to date; formerly director of North Dakota Children's Home Society.

OTHER ORGANIZATIONS: Sons of Norway, Bjarne Lodge No. 86, October, 1971; Masonic Order and Benevolent Protection of the Elks.

SPECIAL ASSIGNMENT: Appointed August 11, 1970 Special Assistant Attorney General by Attorney General Helgi Johanneson and by his successor Attorney General Allen I. Olson. Served on special assignment with the State Securities Commissioner and the State Banking Department from 1970 to date.

BIOGRAPHICAL INFORMATION

BUSINESS ADDRESS:
A. E. Lawson
Commissioner
Federal Mine Safety and Health
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1730 "K" Street, N.W.
Suite 602
Washington, D.C. 20006
202-653-5660

DATE OF BIRTH: June 23, 1929

EDUCATION

Legal - Harvard Law School (1954 - 1957)
L.L.B.

College - University of Pittsburgh (1948 - 1951; 1953 - 1954). Major - Economics; Minor - English
A.B. (Magna Cum Laude), Phi Beta Kappa

EMPLOYMENT

October 1978 to Date - Commissioner, Federal Mine Safety and Health Review Commission

November 1966 to October 1978 - Assistant General Counsel, United Steelworkers of America, Pittsburgh, Pennsylvania.

August 1962 to November 1966 - Staff Counsel, Columbia Gas System, Pittsburgh, Pennsylvania.

August 1957 to July 1962 - Attorney, Fogarty & Schrieber, New York, New York.

September 1953 to September 1954 - Summers 1955 and 1956 - Retail Credit Company (now Equifax), Pittsburgh, Pennsylvania. Personnel, claim, life and automobile insurance investigator.

1951 to 1953 - United States Army, Headquarters, Guided Missiles, Fort Bliss, Texas. Headquarters for Northern France, Verdun, France.

1947 to 1951 - Burrell Corporation, Pittsburgh, Pennsylvania, Warehouseman/Teamster.

PROFESSIONAL

Member, New York and Pennsylvania Bars
American Bar Association
New York State Bar Association
Allegheny County (Pittsburgh) Bar Association
(Secretary, 1966 - 1967)

CIVIC

Commonwealth Trustee (by appointment of the Governor) University of Pittsburgh 1969 to date. Executive Committee, Board of Trustees, 1973 to date; Chairman, Board of Visitors, Graduate School of Social Work; Member, Board of Visitors, School of General Studies; Member, Board of Visitors, Law School.

Adjunct Professor, Carnegie-Mellon University, School of Administration and Management Science (1977).

Vice Chairman, Democratic Party, Mt. Lebanon, Pennsylvania (1976 - 1978).

Member, Governor's Tax Study and Revision Commission (General State Business Taxation Committee, 1967 - 1968); Alternate, member, Governor's Commission on Priorities (1968 - 1969).

President Board of Trustees, Allegheny Center Unitarian Church (1969 - 1975); Member, Ohio-Meadville District Board, Unitarian Universalist Association (1971 - 1975).

BIOGRAPHICAL INFORMATION

BUSINESS ADDRESS:

Marian Pearlman Nease
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Federal Mine Safety and Health
Review Commission
1730 "K" Street, N. W.
Suite 606
Washington, D.C. 20006
202-653-5652

DATE OF BIRTH: May 20, 1940

EDUCATION

Legal - University of Pennsylvania (LL.B. - 1964)

College - Cornell University (B.A. - 1961)

EMPLOYMENT

October 1978 to Date - Commissioner, Federal Mine Safety and Health Review Commission

March, 1974 to October 1978 - Special Counsel, United Mine Workers Health and Retirement Funds.

February, 1973 to February, 1974 - Legal Director, Office of the Commonwealth of Puerto Rico.

June, 1971 to March, 1973 - National Treasurer, McGovern for President, Inc.

October, 1969 to June, 1971 - Associate, Stroock, Stroock & Lavan.

March, 1968 to October, 1969 - Legal Adviser, Four Corners Regional Commission.

January, 1966 to March, 1968 - Attorney Adviser, U. S. Department of the Interior.

PROFESSIONAL

Member, New York Court of Appeals
Member, District of Columbia Bar
Member, United States Supreme Court

JAMES A BRODERICK

Born: Detroit, Michigan, November 10, 1925. Married to Anne O'Hora Broderick. Two children: Michael, 22, and Susan, 19.

Served in U.S. Army January 1944 to June 1946 in 42nd Infantry Division. Served in European Theater December 1944 to 1946. Honorably discharged as Staff Sergeant.

Graduated: University of Detroit Law School 1950. Editor, University of Detroit Law Journal.

Attended Wayne University Law Graduate School in Labor Law 1950-55.

Admitted to practice law in Michigan January 1951.

Member Michigan Bar and Bar of Supreme Court of United States.

Private practice in Detroit 1951-52.

Trial Attorney, Antitrust Division, U.S. Department of Justice, Detroit 1952-54.

Assistant City Attorney, Dearborn, Michigan 1954-56.

Hearing Referee, Michigan Workmen's Compensation Department 1956-61.

Member, Employees Compensation Appeals Board, U.S. Department of Labor 1961-73.

Administrative Law Judge, U.S. Department of the Interior 1973-78.

Acting Chief Administrative Law Judge, Mine Safety and Health Review Commission 1978.

Chief Administrative Law Judge, Mine Safety and Health Review Commission January 1, 1979.

INCREASE IN 1982 BUDGET

Senator ABDNOR. If you have any comments you care to make, please go right ahead.

Mr. BACKLEY. I think the opening statement explains it quite well. We are asking for an increase of $116,000 over our 1981 budget. But as a result of instructions received from OMB, a revision will be submitted, and I believe may have been submitted this morning. So our increase in 1982 amounts to $80,000 over fiscal 1981.

Senator ABDNOR. That's the revised one that you said you received.

Mr. BACKLEY. Yes; I believe that was delivered this morning. We received instructions from OMB to reduce the request of $116,000 by $36,000. There have been no changes in our budget save for that enunciated in President Reagan's directives reducing travel and equipment acquisition.

We are, as you are well aware, a very small agency, under 100, which in some respects is exempted. In fact, we employ 82.

Senator ABDNOR. For how many years has your agency been in operation?

Mr. BACKLEY. Three years, Senator. It was created by the act in 1977.

CASELOAD STATISTICS

Senator ABDNOR. What percent of the citations issued by the Mine Safety and Health Standards for violations, is currently being challenged?

Mr. BACKLEY. About 5 percent. There has been a steady reduction over the years.

Senator ABDNOR. A reduction? Good.

Mr. BACKLEY. Yes, there has been a reduction.

If I may, Senator—I'm sorry, let me correct myself. It has been about 9 percent. In 1978 it was 18 percent. In 1979 it was 14 percent. In 1980 it's been 9 percent. There has been a steady decrease in challenges of the citations.

In the penalty cases, I would like to stress, Senator——

Senator ABDNOR. Is that a result of a better understanding of how the program works with those that you inspect? Or, maybe your inspections have slacked off slightly.

Which would you say is the biggest cause for that?

Mr. BACKLEY. I'll attempt to answer that, Senator, as long as you recognize I'm not part of the enforcement arm.

Senator ABDNOR. I realize that.

Mr. BACKLEY. One aspect I'm aware of is that the enforcement arm, the Mining Enforcement Safety Administration in the past year has introduced what they call a compliance assistance visit, a CAV program, as it is known. These are inspections that are conducted at the request of the operator, and MSHA comes in and attempts to assist the operator, and may issue a citation. But that citation does not carry a penalty.

Our figures indicate that about 16,000 of these citations were issued, and these are nonchallengeable.

Senator ABDNOR. In what important ways does the Mine Safety and Health Review Commission fine tune the substance of the Mining and Safety Act?

Well, you summed that up a little right there in saying that you—not you, but the enforcement group—has fine tuned this to some degree.

Mr. BACKLEY. If I may, Senator, we are an adjudicatory body. I think that we may have fine tuned several sections of the act by our decisions, by our interpretations. And thus, I think both the Secretary and the operator and the miners have been governed accordingly.

That would be my position on that.

Senator ABDNOR. What's the average timelag involved from receipt of a case to its disposition?

Mr. BACKLEY. Approximately 13 months, Senator.

SAND AND GRAVEL CASES

Senator ABDNOR. What percent of the Commission's workload is related to just sand and gravel?

Mr. BACKLEY. Fifteen to sixteen percent involve the sand and gravel. If I could add something to that, Senator.

The sand and gravel cases, while they do comprise approximately 15 to 16 percent of our caseload, are primarily penalty cases. And we find that a great percentage—I'm not quite sure of the percentage, so I'll just say percentage—are settled. We have, for example, no discrimination cases or compensation cases arising out of them.

Senator ABDNOR. I wonder how your workload would be affected if inspections of surface mines such as sand and gravel mines were transferred from the Mine Safety and Health Administration to OSHA? I am sure you are aware that there is discussion of that action.

Mr. BACKLEY. We are aware of that.

Senator ABDNOR. That would affect about 15 to 16 percent of your workload?

Mr. BACKLEY. Yes, sir.

Senator ABDNOR. You are aware, of course, that last year there were over 200 Congressmen and 42 Members in the Senate that did cosponsor legislation to do exactly that.

In South Dakota our gravel and stone operators employ less than 70 people. It is difficult and extremely expensive for these small businesses to meet requirements which were meant really for those deep mining operators.

I think you would have to agree with that. Of course, again, that is not your bailiwick.

Mr. BACKLEY. I appreciate that last Senator. I can imagine that there are possibly some standards that have been set by the enforcement agencies that maybe are applicable to one area of mining and not to another. I have seen that in some instances with the open pit mining.

Senator ABDNOR. A lot of public officials in my State, as well as other States have talked to me about the problem.

SUBMITTED QUESTIONS

We will have some other questions for you. We will submit them to you in writing, and ask you to furnish your answers for the record.

So, with that, we thank you for coming.

Mr. BACKLEY. Thank you very much, Senator.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TRAVEL

Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by government employees. A partial report recently revealed that Government travel spending runs about $3 billion a year.

* How many annual trips per capita are made per year by your employees? A: 321

* How does your agency's average length of trip, in days, compare to the government-wide average of 8.8? A: 31/2 days average

* What is the actual average cost per trip? The Government-wide average is $176? A: $481.13

To respond directly to your question the average cost of our trips is $481.13. In responding to this question, however, I must assume, without further clarification, that neither air fares nor the increased per diem rates are reflected in the government-wide average of $176.

I say this because of the more than 20% increase in air fares over the past year and the substantial increase in per diem rates allowed federal employees that went into effect on October 6, 1980. Further, as a result of air line deregulation, scheduling between smaller cities and towns has resulted in reduced flight frequency. While there is little difficulty in scheduling between Washington, D.C. and New York City, scheduled air travel between Washington and Pikeville Kentucky, Denver, Colorado and Provo, Utah, or Raton, N. M. or Rapid City, S. D. is another matter.

As a result in the frequency of flights between and into smaller communities, an administrative law judge out on a hearing in such communities may have to "lay over" an extra night or morning.

Let me give an example of the cost of conducting a hearing in the field at the request of the mine operator. The hearing was held in Prestonburg, Kentucky, a town approximately 465 miles from Washington and which receives no air service. The cost of sending the ALJ for 3 days of hearing was $429.70, broken down as follows: air fare to Huntington, West Virginia $234; car rental $78; and lodging $117.70. This trip is fairly typical of our "short" trips to accomodate the mine operator.

* What percentage of your trips account for:
    operation or managerial activities?
    Travel for training?
    Informational meetings?
    Conferences?
    Speeches or presentations?
    Special mission travel?
    Relocation of employees?
    Unknown reasons (blanket authority to employees)?

A: I believe that another category should be added for our operations - "Hearings". This would clarify more appropriately a class of major travel peculiar to our agency. Accordingly, 89% of our trips are to be allocated to hearings conducted by our administrative law judges.

- Hearings 89%
- Operational or Managerial activities? 3%
- Travel for training? 3%
- Informational meetings? -0-

- Conferences? 2%
- Speeches or presentations? 3%
- Special Mission Travel? -0-
- Relocation of employees? -0-
- Unknown reasons (blanket authority to employees)? -0-

MSHRC
RESCISSION REQUEST

* Why are you proposing a rescission of unspent fiscal 1981 appropriations rather than simply letting these funds return to the general fund of the Treasury at the end of the fiscal year?
A: This decision was made as a result of conferences with the President's Office of Management and Budget.

* Of your 88 authorized staff, how many positions are currently filled? A: 82

* Does your revised fiscal 1982 budget assume continuation of the present hiring freeze throughout fiscal 1982? A: Yes

QUESTION: The Senate Human Resources Committee has recommended in its March 15 Report to the Senate Budget Committee a 20% reduction below your FY 81 Appropriation. What would be the impact of such a reduction?

At the outset it must be kept in mind that our budget request for FY 82 is $116,000 more than our fiscal year 1981 appropriation. When President Reagan's directive (OMB Circular 81-11) as to travel and other reductions is applied, the actual increase is $80,000. I would further like to stress the fact that our FY 82 budget reflects constraints that have been imposed by President Reagan's freeze on hiring. We have worked with OMB to adapt to such economy measures and have, in fact, requested that $273,000 of our FY 81 appropration be rescinded.

Having said that, I would like to set forth the impact of a 20% reduction of our FY 81 appropriation for FY 82 operations. I believe that in order to fully appreciate the devestating effect of such a cut an overview of our agency and its mandate is in order.

As you know, the Commission was established as an independent adjudicatory body by the Federal Mine Safety and Health Act of 1977. The Act transferred all administrative adjudicative functions under federal mine safety laws from the Department of Labor to the Commission. The Act further eliminated the right of mine operators to a de novo hearing before a jury in U. S. District Court in civil penalty enforcement actions brought by the government. Thus, under current enforcement procedures in the federal court system, there is no right to de novo review of the Commission's finding of violation and assessment of penalty, thereby relieving the District Courts of the ever increasing burden as noted in the Senate Report which recommended passage of the bill. S. Rep. No. 95-181, Legislative History of the Federal Mine Safety and Health Act of 1977, at 633 (1978).

In fulfilling its responsibility of reviewing enforcement actions of the Secretary of Labor arising from the Act, this agency conducts formal evidentiary hearings at the request of the Secretary, the mine operator, or the miners and their representatives. The work of the Commission is thus not self-generated but in consequence of litigation brought by the parties thereto. The statutory mandate of the Commission is to insure the prompt and fair disposition of cases both at the Administrative Law Judge level and before the Commissioners at the review level. The Commission is a small agency, presently employing 82, including 16 administrative law judges.

Its cases arise from all segments of the mining industry, and from every state in the union. It serves as a forum for mine operators contesting violations, protesting closure orders or civil penalty assessments. It hears complaints of miners who claim discrimination resulting from safety complaints. The practical impact of the proposed reduction would be to severely impede the Commission in its efforts to accomplish its mandate.

Specifically, a reduction of 20% below FY 1981 appropriations would probably necessitate, among other actions:

1) A closing of the Commission office in Denver, Colorado with transfer of those functions to the Falls Church, Virginia office,

2) Severe restrictions on travel obligations for all employees of the Commission, including the administrative law judges, and

3) A reduction in force of employees, including some administrative law judges.

The Commission believes that the concept of prompt and fair disposition of cases before its administrative law judges includes the right of parties to a full opportunity for evidentiary hearing. So as to give a true meaning to this opportunity, it has been the policy of the Commission to provide accessible hearings to the litigants whenever possible.

Rule 51 of the Commission's Rules of Procedure, 30 CFR §2700.51, provides:

> All cases will be assigned a hearing site by order of the Judge, who shall give due regard to the convenience and necessity of the parties or their representatives and witnesses, the availability of suitable hearing facilities, and other relevant factors.

Rule 51 was derived from section 5(a) of the Administrative Procedures Act, 5 U.S.C. §554(b), which states:

> "In fixing the times and places for hearings due regard shall be had for the convenience and necessity of the parties or their representatives."

Cases coming to the Commission arise from every state of the union and Puerto Rico. During FY 1980 the Commission's administrative law judges conducted hearings in 700 cases. In 92% of the cases (642), the judge traveled to the mining community to hold the hearing. Accordingly, the Commission has, in fact, given substance to the above rule. The closing of the Commission's office in Denver and adoption of the travel restrictions noted above would require virtually all Commission hearings to be conducted in the Washington, D.C. area. Under those circumstances, management and union representatives, attorneys for mine operators and the Secretary, and all witnesses would be required to travel from all parts of the country to the Washington, D.C. area. Those who wish to challenge the Secretary's enforcement actions under the Act would be penalized by being required to travel and transport witnesses unreasonable distances to attend hearings. Furthermore, many civil penalty cases require as many as five or six federal mine inspectors to testify on behalf of the Secretary. Thus, any travel funds saved from the Commission budget by holding the hearing in the Washington, D.C. area, would be more than offset by travel funds expended by the Labor Department.

The requirement that all hearings be held in the Washington, D.C. area would impact in at least three ways:

* It would place an undue financial burden on the mining industry and the miners.

* It would effectively deny many small mine operators, especially those from the Western part of the country, an opportunity for a hearing.

* Because employees of the Secretary of Labor would be required to travel long distances to attend hearings, the total expenditure of federal funds would increase.

A reduction in force of employees, including administrative law judges, would have a serious impact on the ability of the Commission to provide speedy hearings in discrimination cases and cases regarding the validity of mine closure orders issued by the Secretary. The 1977 Mine Safety Act empowers the Secretary to issue closure orders under a variety of circumstances without a prior hearing. Depending upon the area deemed to be affected by the hazard and the type of hazard involved, the impact of the closure order might vary from minor inconvenience to closure of an entire mining operation for a considerable length of time. If abatement of the hazardous conditions has a significant monetary impact on operations or a reduction in production, the mine operator may wish to seek temporary relief before the Commission.

Section 105(a) of the Act requires the Commission to provide a procedure for expedited considerations of applications for temporary relief from closure orders. Commission Rules 45 and 46 provide mine operators an opportunity for such relief. Furthermore, Commission Rule 52 provides the parties an opportunity to request that a hearing on the merits of any proceeding be expedited. Mine operators frequently avail themselves of this opportunity to obtain an expedited hearing, normally held within a week, when the circumstances are truly urgent. In the three years of the Commission's existence, in compliance with the statutory mandate that it "take whatever action is necessary to expedite proceedings for hearing appeals of orders", it has never refused a request of a mine operator for an expedited hearing on a closure order. A reduced staff of administrative law judges (we have only 16) would make a continuation of that record impossible.

It does not require any stretch of the imagination nor extension of logic to forsee a mine closed for want of a hearing because the administrative law judge is hearing another case elsewhere and thus not readily available. A reduction in force would certainly increase the backlog of all cases in the Commission and thereby increase the time lag between the date of filing and the date of final decision. This of itself contravenes our statutory mandate as to prompt dispostion of the cases brought before us.

NATIONAL LABOR RELATIONS BOARD

CONTINUATION OF PREVIOUS TESTIMONY

Senator ABDNOR. I realize we asked Mr. Fanning to come forward once before when I was out of the room.

I would like to catch up on what has transpired. So, please come back and give us a full review of your agency. We will ask you some questions.

Mr. FANNING. Senator, before we proceed in that manner, in further response to Senator Specter's question about the impact of the contemplated $98 million budget, I would like our general counsel, who supervises our field establishment, where most of our work is done, to add to the answer I gave.

And I would also like permission to give you a more complete answer after we have had a day or so to study it.

Senator ABDNOR. Fine, I appreciate that.

[The information follows:]

March 19, 1981

Honorable James Abdnor
United States Senate
Washington, D.C. 20510

Dear Senator Abdnor:

We appreciate very much the courtesy extended to us at the March 12 Appropriations Subcommittee hearing on the FY '82 budget for the NLRB.

At the hearing, Senator Specter asked us to provide the Subcommittee with our assessment of the impact on our operations if the Congress adopted the Labor and Human Resources Committee's proposed FY '82 budget allocation of $98,421,000.

Our evaluation is now complete and the results are stark. The impact of a spending reduction of that magnitude would be severe and almost certainly irreparable. It represents a 23 percent or almost a 30 million dollar reduction from the request submitted by President Reagan, and is 29 percent or nearly 39 million dollars below the minimum funding level required to avoid increasing this Agency's case backlog which is already reaching significant levels.

The pending Presidential request is already austere and unprecedented in that it constitutes the only NLRB budget ever submitted into which significant year-end case backlogs have been programmed. Until this year, every Administration, whether Republican or Democratic, has made budget requests for the NLRB that would enable it to dispose of as many cases as would be brought to it in a given fiscal year. Those requests were objectively based, flowing from case intake estimates which historically have proven to be remarkably accurate. We are not a program or grant agency; the work we do entirely involves cases voluntarily brought to us by employers, unions or employees.

This year as part of their efforts to reduce government spending, both former President Carter and President Reagan submitted NLRB budgets which contemplated that the NLRB would be able to process, respectively, 7,000 and 11,000 fewer cases than would be brought to it in FY '81-'82.

But a reduction of the magnitude reflected in the Labor Committee's proposal would so multiply the presently built-in backlog that approximately 25,000 unfair labor practice cases, or over one-half the number we expect, could not be processed at all. The number represents almost a 100 percent increase in the unprecedented backlog already programmed into President Reagan's request.

The effect of such a backlog on the stability of labor-management relations in this country - a stability crucial to an effective economic recovery program - cannot be overestimated. Those cases, and the issues they pose, will not disappear. They either will be resolved within the orderly framework of Board processes or in some less desirable manner. Even the backlog estimates themselves assume our continuing ability to resolve, before issuance of complaint, 86 percent of the unfair labor practice charges brought to us, and to settle an additional 9 percent prior to trial. Because case processing delays have a demonstrable, adverse impact on our capacity to effectuate such dispositions, the assumption that we will be able to maintain such a settlement record is, at best, tenuous.

An appropriation level of $98,421,000 also would have the effect of dismantling one of the few government agencies that really works well. While, as you might expect in a field as controversial as labor-management relations, there are critics of various Board policies, there are few, if any, critics of this Agency's record for productivity and prudent management of funds.

In 1976, a Task Force composed of representatives of management, labor, and the academic community, conducted an exhaustive study of our processes at the conclusion of which it observed:

> /W/e have come away from our endeavors with a healthier respect than ever for the efficiency and fairness of one of the federal government's most effective agencies.

Two years later, then-Comptroller General Elmer Staats, in testimony before the House Budget Committee, characterized the NLRB as a governmental "success story" and noted:

> NLRB has had a continuing management improvement and cost reduction program which is spurred by regular budgeted improvements in productivity rates. . . . As a result of NLRB's efforts, it has a long record of productivity improvements for which to be proud. For instance, from 1970 through 1977 workload increased twice as fast as NLRB's budgeted staff year requirements. In its regional offices, overall productivity increased about 14 percent during the past 2 years.

Most recently, the Office of Personnel Management devoted the major part of its "Performance" bulletin (copy attached) to the NLRB, applauding our case management system and productivity.

Such examples of outside endorsements of our efficiency, productivity and budgetary prudence are not isolated. Over the past 20 years, each Congress and Presidential administration, without exception, has recognized the fine performance of the NLRB in its management and utilization of budgeted funds. In the past 10 years, our case intake has increased 71.4 percent. Despite the increase, and with staff increases of only 34.2 percent, the Board maintained its workload on a current basis. In fact, the Bureau of Labor Statistics has computed our record of improving productivity to be an average 2.9 percent per year from 1967 to 1979. This is a record not likely to be surpassed in Government or in more than a handful of private sector firms. But it is also a record that simply could not be maintained in the face of such a massive budget reduction as has been suggested. With an increasing caseload, such a reduction in funding would make impossible the fulfillment of our charter to encourage the prompt resolution of industrial disputes and thus "eliminate the causes of certain substantial obstructions to the free flow of commerce."

We of course recognize that these are difficult times and that it is vital that government act to bring inflation under control. But the President's budget request for the NLRB, unlike that proposed by the Labor Committee, also recognizes that among many federal programs, some more than others further the governmental objective of controlling inflation. President Reagan's request does not exempt the NLRB from the budget restraint to which the Administration, and the NLRB, is committed. As we have indicated, the FY '82 budget request is the first ever to deliberately program a substantial backlog in cases. But the President's budget balances the number of cases to be subject to that principle against the benefits to the economy derived from an effective administration of the NLRA. The inability to resolve the major portion of the unfair labor practice disputes and the inability to conduct prompt and fair elections - both the consequences of a reduction like that contemplated by the Labor Committee - translates to costly labor disruptions within the national economy. In 1977 alone, the NLRB was able to resolve or halt actual or threatened picketing at construction industry projects valued at 10 billion dollars, and involving over 100,000 employees. Construction industry cases, that year, accounted for under 10 percent of the cases we received.

In sum, we urge that you reject the Labor Committee's proposal. Any significant appropriation reduction beyond that already reflected in President Reagan's submission would have substantial, adverse consequences on our casehandling processes. A reduction of the size recommended by the Labor and Human Resources Committee would mean 35,000 pending cases at the close of FY '82, some 25,000 more cases than the traditional and manageable level of pending cases. It would necessitate a massive reduction-in-force;

it would diminish, if not make a thing of the past, our long and often-cited record of productivity; and it would harbor significant disruption of the national economy as a result of the many unresolved labor disputes it would mandate. It is, we are convinced, a false economy to suggest such a huge budgetary reduction, one apparently derived without reference to what the NLRB is or does and without regard for the delicate balance reflected in President Reagan's request.

We ask your Committee to adopt the appropriation for FY '82 requested by President Reagan. It recognizes that during the past 45 years the NLRB has proven to be both successful and essential. The Act it administers establishes a framework within which management, labor organizations and individual workers are free to make economic decisions with minimal governmental interference, a fundamental tenet of the Administration.

It would be tragic if the accumulated wisdom of the past were ignored just when the new economic realities and dangers articulated by the President call for strengthening, not dismantling, administration of our most basic national labor statute. Under the drastic reduction proposed by the Labor and Human Resources Committee, the NLRB's continuing ability to serve the nation's economic interests would be jeopardized. We believe that must not happen and that this Agency's record and service clearly deserve funding at the appropriation level proposed by President Reagan.

Sincerely yours,

William A. Lubbers
William A. Lubbers, General Counsel

John H. Fanning
John H. Fanning, Chairman

GENERAL COUNSEL'S RESPONSE TO 20-PERCENT CUT

Mr. FANNING. Mr. Lubbers.

Mr. LUBBERS. Mr. Chairman, Senator Spector I think asked two questions; one, the effect on our budget of the 20-percent cut recommended by the Senate Human Resources Committee as well as how long it takes us on the average to process our cases.

I would like to say first, that all of our cases are brought to us. We do not go out to get them.

We are charged with accepting charges and investigating them, and determining whether there is merit in the alleged unfair labor practices, and then issuing a complaint or issuing a dismissal letter, if the charges lack merit, and prosecuting the complaints.

About 90 percent of our cases are processed within a median of 40 days and are handled in the field. They do not come up through the litigation process for a decision before the Board.

We have been able to keep current with our casehandling by methods which stress productivity and efficient casehandling.

President Reagan, in submitting the budget—Director of the Office of Management and Budget, David Stockman, in submitting the Reagan budget to us yesterday said that the $128 million total and the end-of-the-year ceilings, employment ceilings for our budget, were in keeping with the President's commitment to reduce the Federal work force and to insure efficiency in our operation.

NLRB CASEHANDLING SYSTEM

The NLRB has been cited by the Office of Management and Budget just this February for efficient casehandling, and as a model for handling cases and getting them out efficiently and quickly.

In 1978, February 1978, the Comptroller General, Elmer Staats, in testifying before the House Budget Committee, cited the National Labor Relations Board casehandling process, and its budgetary process in budgeting productivity increases into its budgets as a model for efficiency, and as the reason why the NLRB budget has been accepted to the extent those budgets have been in the past, and it has usually been accepted, as much as we requested, by the Office of Management and Budget and the Congress. He has cited with great approval, our system.

Now, the reason our system is effective and efficient is that the twin objectives of President Reagan have been our objectives all through the years. And the reason the system has been effective is it enables us to get on to our cases quickly.

To the extent that we are unable to get on to our cases quickly—the cases don't go away—we have to process them later, at probably higher costs, at least as long as inflation keeps going up. So there is an inefficiency in the cost sense, as well as an inefficiency in resolving labor disputes that are brought to us for resolution. The quicker we can resolve them, the quicker the employer and employees can get back to a normal, better relationship. The longer it takes us to get into the investigation of our cases to obtain a resolution, the greater the likelihood that the underlying labor dispute will erupt into work stoppages and strikes at a loss of productivity to the employer and his work force.

EFFECTS OF EMPLOYMENT FREEZES

Another point I wanted to make is that, in 1980 because of the Carter freeze on employment, continuing to 1981 and President Reagan's permanent freeze on employment which is still in effect, we—though we closed a greater number of cases than ever before in our history—nevertheless, saw our pending case level at the end of 1980 increase by almost 3,000 over what it was at the beginning of 1979.

The point of that is that we have been basically able to remain current in our casehandling. We have been able basically to process the same number of cases that we take in every year, during the course of that year.

In 1980, because of the Carter freeze, even though our employees in our field offices had a productivity increase of about 6 percent, our pending case level at the beginning of 1981 was almost 3,000 cases above the norm. That meant we had more than we would like to have to start the year in 1981. Because of the Carter and Reagan employment freezes, pending caseload will have increased by about another 3,000 by the end of 1981.

And, for the first time in 1982, the Carter recommended budget was budgeting a further increase of 3,000.

So, over a 3-year period, our pending case level will increase by 9,000 cases, or almost 95 percent of what it had been before that period when we were able to stay current.

Now, President Reagan's budget has reduced the Carter budget by at least $4 million. That cannot help but have some impact upon that pending case level, which means delay in processing of cases.

IMPACT OF 20-PERCENT CUT ON CASEHANDLING

And a 20-percent cut in that budget—and I'm finally getting to your question about the 20-percent cut—will, after you take out all non-case-related items that you can squeeze out, is going to substantially affect casehandling. The 20-percent cut is going to substantially increase the level of pending cases awaiting investigation.

We are working with a lean staff already. It is simply going to reduce that staff. That means we may enter 1983, if we have such a cut, with three-fourths of the number of cases that we had taken in during 1982 awaiting investigation. And that simply is going to slow down our case processing. It is going to eliminate the ability to resolve disputes early and seriously affect the effectiveness of the resolution when we are able to get to the cases.

And I think that this will then have a pronounced effect upon employment-related disputes.

INFORMATION OFFICER PROGRAM

I would like to make one other point. The 63,000 cases we expect to get is not a measure of the number of people that come to us to see whether or not the National Labor Relations policy affects their relationships with their unions and with their employers. Last year we received over 129,000 inquiries from members of the public, over 25,000 of them were by public visits to our office, 3,500 or so are by mail, and the rest were by telephone, bringing to our attention matters which greatly concerned the individuals, unions or employers, who came to us with these inquiries.

And of those 129,000 inquiries received over an 11-month period, about 9,000 of them resulted in unfair labor practice charges. In the rest of them we were able to explain to the persons inquiring that the matters involved were not within our jurisdiction. We referred about 30,000 of these individuals to other agencies: State, local, and some Federal.

And, we have received no complaints from any of these individuals that they did not get the kind of dispute resolution which was important to them and to the functioning of our economy.

I think to the extent the 20-percent cut will reduce staff, we cannot effectively take care of this aspect as well as other aspects of our work.

Senator ABDNOR. You say you refer these to other sources.

What are some others?

Mr. LUBBERS. If the dispute as they explained it to us, is a dispute which is not within our jurisdiction, if we are aware that there is a State agency or a local agency—it might be an unemployment problem, it might be a wage and hour problem, it might be an EEO problem—we try to refer the individuals to those agencies. So that the member of the public coming to us does not go away saying, "We are just simply getting another runaround by our Government."

Senator ABDNOR. If you get in a bind, can you refer even more of those?

Mr. LUBBERS. I'm sorry, I can't hear you.

Senator ABDNOR. If you get a backlog, is it possible that you could still refer even more of these?

Mr. LUBBERS. We cannot refer those over which we have jurisdiction. We can refer those that don't come within our jurisdiction.

But the point is, there is a great feeling in this country—we have offices, regional offices in 33 cities around the country—that the National Labor Relations Board is a place where an American—a workingman or workingwoman—who has an employment-related dispute can come for redress. We have screened out a great many inquiries, as I have just explained, but still we get over 63,000 unfair labor practice charges and election petitions a year, and that number is continuing to go up.

Senator ABDNOR. Fine; we have that information.

PUBLIC CONFIDENCE IN BOARD DECISIONS

Jumping to another point, if I might. Rightly or wrongly, the Board is perceived by many who deal with it as having an anti-business bias—I say right or wrong.

What actions do you plan to take to restore the public's confidence in the Board as an agency which does not tilt toward organized labor?

You know there were some—is there anything you could do or should be doing to convince them——

Mr. LUBBERS. Well, I do not think that we are perceived that way in the larger sense in the labor-management relations community and among the bar.

We are an open agency. Our procedures are cited often by members of the bar representing both management and unions as being fair.

And we try, and I think the results show it—we try to give cases impartial and objective consideration, and I think to the extent that our casehandling procedures and our rights of appeal and other methods of handling these cases have been in effect for a long, long time, under general counsels of both major political administrations in this country, I think we are proceeding in an efficient and fair manner.

Mr. FANNING. I would like to augment that a bit, sir. The field of labor-management relations is by its nature a very controversial field. The individual who wins a case says, "Of course, I won it; I was always right. Why did it take the Board so long to dispose of it?"

The individual who loses a case says, "How wrong can that stupid Board be, not to agree with me?"

The fact is, I think, that the reason so many people come to us for aid—both employers as well as employees—indicates we are doing a pretty good job.

Four or five years ago, to test our situation, we established a task force consisting of topflight representatives of management and of trade unions and of the academic community, the various law schools. And they gave us a clean bill of health. Their report said we were an efficient and fair agency.

I would point to my own situation, sir. I, a Democrat, was appointed by President Eisenhower. I was reappointed by President Kennedy, President Johnson, President Nixon, made Acting Chairman by President Ford, and reappointed by Mr. Carter and made permanent Chairman.

If I were biased or prejudiced in their mind, I don't think I would have survived the 24 years.

Senator ABDNOR. Very good.

I hate to do this to you gentlemen, you have been very kind and patient, but the bells indicate I must go to vote once again.

SUBMITTED QUESTIONS

If it is all right with you, we will close and send you the written questions, for the record.

Mr. FANNING. We will be happy to respond fully. We will give you a firm answer on the $98 million question.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question: Do you think that Board appointments of Administrative Law Judges and other Board personnel with extensive private sector experience would help this situation?

Mr. Fanning: Initially, let me reiterate that I do not believe the "situation" to which you refer actually exists. Apart from that, however, there is no doubt that private sector experience is valuable and I have never known a Board Member who did not accord it great weight in making appointments. Many of our employees do have private sector experience and while I obviously can't give you a complete breakdown, I do know that in the case of our ALJs, over 60 of our 112 ALJs have had private practice experience in one form or another.

The basic problem, to the extent it is a problem, is that it is difficult to recruit, in the higher level positions, directly from private practice. And that's because of the pay cap. And there is no better example of that than in the case of ALJs. To qualify as an ALJ at the GS-16 grade level, the applicant must, at a minimum, have 7 years experience as a lawyer. Very few able labor lawyers, in private practice for that many years, are not already earning in excess of the $50,112.50 maximum salary. I read recently that some law firms are paying, or will be paying, this year's law school graduates a starting salary of almost $40,000 - and that doesn't count traditional bonuses. My only point is that if you meet OPM requirements for being an ALJ, and if you have been in private practice for any appreciable length of time, - and if you are able, - it's virtually guaranteed you'd be taking a pay cut to be an ALJ, and the same holds true, obviously, for other top positions.

Question: Will you favor persons with private sector experience, rather than government experience for appointments in the future?

Mr. Fanning: As I've indicated in response to your previous question, we always have placed a premium on private sector experience, which is not to say that government experience is not valuable. I've always believed that government administration is both a science and art form and the value of experience in government should not be underestimated.

With respect to ALJs, the selection process is administered by OPM. Our role is limited to interviewing, and then deciding whether to hire, those candidates certified by OPM to be eligible. We do not control to any extent candidate eligibility. We get them in three ways. We can call for names from the general register of eligibles, and may select ALJs from those names in the order in which they are ranked. There are very limited rights to pass over higher ranked candidates in favor or those with lower ranking. Or we may call for the names of those selectively certified as specially qualified for appointment to the Board on the basis of their labor law experience. Here too we may select from that list in the order of ranking with limited rights to pass over candidates. Lastly, the Board may take ALJs serving with other agencies without regard to their comparative ranking on any list.

As a rule all eligible candidates for appointment with extensive background in labor relations, either in the public or private sector, are certified as specially qualified for selection by the Board, and it has been the practice of the Board to exhaust the list of those so certified who are available for appointment before turning to the other sources. Because of the nature of the selection process, there really is no latitude to favor any group. Besides, I doubt that "favoring" individuals in private practice over career federal servants is a desirable government policy.

I am familiar with the Heritage Foundation recommendation concerning ALJs. It reflects, in my judgment, a lack of basic familiarity with the ALJ appointment process, with the true decisional independence they possess, with the problems associated with ALJ recruitment and, lastly, with just how many of our ALJs do have private practice experience. In fact, I do not recall any ALJ applicant with private practice experience ever being turned down by the Board since I've been on it - almost 24 years.

RATIONALE FOR FEDERAL INVOLVEMENT IN LABOR-MANAGEMENT DISPUTES

Question: Why should the taxpayer bear the cost of settling or adjudicating what often are private disputes between unions and management?

Mr. Lubbers: I do not believe that it is correct to say that many of the disputes that are settled or adjudicated by the NLRB are private disputes between unions and management. The National Labor Relations Act has made certain practices by unions and employers unfair labor practices and the issues and cases are investigated and litigated or settled by the General Counsel and adjudicated by the Board in the public interest. In passing the NLRA Congress was concerned that there was no orderly framework for resolving many of these disputes. It saw that the absence of peaceful means of resolving disputes results in work stoppages or other losses in productivity with serious consequences for the rights of the parties and for the nation's economy.

Congress did assure that essentially private disputes would be cut off without litigation, by creating an independent prosecutor, the General Counsel. The General Counsel, through his field staff, investigates all cases and decides which of them present issues involving violations of the Act. Of the 44,206 ULP cases filed in 1980, only 35% of them were determined to have merit; that is, were deemed worthy of prosecution. The remaining 65% were either dismissed or withdrawn in our Regional Offices.

The decision not to prosecute or that no merit exists serves a very important purpose for employers, unions and employees. A determination that a charge is not meritorious resolves that issue just as an adjudication does. Parties know quickly where they stand and can get back to their business. If this forum did not exist or if there are delays in our procedures, the dissatisfactions which prompted the charges will fester with the danger of strikes or with losses in production. Recognizing this, we seek to investigate and decide the merits of the allegations within 30 days of the filing of the charge. We are very successful in achieving this goal. In 1980, for example, only about 3% of the cases were overage in this category. This means parties get answers as to what the Agency intends to do with their cases quickly, usually within 30 days.

Of those cases that are determined meritorious, about 83% of them settle without adjudication. Speaking in round figures, of the approximately 41,500 ULP charges handled in 1980, only 14,525 were determined to be meritorious. And of the 14,525, about 12,100 are settled without the necessity of litigation.

We believe that getting answers to people quickly is an important service to them and the nation even if the answer is "no, there isn't an NLRB case there." Our service extends to matters which do not result in the filing of ULP charges. For example, in an 11 month period, November 1979 to September 1980, over 129,000 persons contacted the NLRB about problems. Of these contacts, fewer than 9.2% or 11,818 resulted in ULP charges being filed. This means that NLRB Regional Office personnel were able to tell people they didn't have an NLRB case and, if appropriate, refer them to other government agencies.

The monetary benefit to the economy of the the success of the NLRB in resolving work disputes is difficult to measure because we cannot show how many stoppages were avoided just because we are here. We know, however, that being here and being ready to move quickly assures a much more stable industrial relations climate and that it is only in such a climate that the Nation can improve productivity. For example, one year's review of about 430 case files in which work stoppages were involved showed that these cases involved 114,000 employees and in total involved work valued at over 10 billion dollars. The NLRB was instrumental in resolving those disputes. The potential for loss in productivity of the workforce involved in these cases alone far exceeds the NLRB budget for 1982.

Question: Since in most instances both parties have ample resources to provide legal representation for their various points of view, why should the government support one side at taxpayers' expense?

Mr. Lubbers: Much of what I said in answer to the previous question is applicable here. We don't support one side or another in these cases; we prosecute and adjudicate violations of Federal law. Often the parties who bring these charges do have the resources to prosecute them themselves, but many do not. What is important is the existence of a Federal prosecutor who can cut off non-meritorious cases quickly. Without a General Counsel, virtually all of the charges brought to us would end up in litigation in one form or another.

But the problem goes even deeper than this. There are also many, many charging parties who don't have the resources to handle these matters. Individual employees who file a ULP against a large corporation or a large union are at an obvious disadvantage. The same holds true for a small employer who is a neutral in the dispute but who is caught in a secondary boycott; or for a group of employees who are seeking to decertify a union. Many times parties like these do not have the resources necessary to handle these disputes. And, even if they did, there is no guarantee that without the intervention of a government agency, the disposition pattern of these cases (settlement rate) would be the same. Indeed, experience would suggest that without the NLRB, many parties would not be able to have their problems resolved and, even for those who have the resources, there would be a massive increase in litigation with attendant delays and costs to the parties and the public. Again, these cost increases would far exceed the NLRB budget.

Question: If it were not so easy and costless for unions and management to "run to the Board" for free assistance, wouldn't there be a significant reduction in case intake?

Mr. Lubbers: While we do not have any experience on which to answer this question, it is safe to assume that if it were more difficult to file a case with the NLRB, some people would be deterred. I do not believe, however, that this would be a benefit to the labor relations climate in this country. A deterred employer, union or employee might decide to use self help methods which could only make a bad situation worse. I might add that more and more individual employees are coming to us for assistance. I'm sure they could be deterred but, as I suggest, if they are deterred by costs or procedures, we would be encouraging them to resolve their problems on the streets.

Again, the existence of an independent General Counsel assures that non meritorious cases are cut off early. And, our Information Program assures that parties are encouraged not to file charges where there is no NLRA violation. Having a government agency that can put matters to rest quickly has benefits to the country that far exceed our budget.

I believe that any changes in our policies which were designed to make it costly or difficult for parties to file charges would require changes in the statute itself. Because of the dangers such a procedure would have by encouraging self help in resolving these problems, I would be most reluctant to recommend such changes.

REDUCING CASE LOAD

Question: What suggestions do you have to discourage the filing of cases which have little or no merit?

Mr. Lubbers: In answer to an earlier question, I described our efforts to both reduce case intake and to improve our service to the public by an improved Public Information program. We began these efforts in 1979 and I have just recently issued the First Annual Review of this program. I am submitting a copy of this for the record.

It is quite clear to me that these efforts have been very successful. As I indicated earlier, during an 11 month period, 129,037 contacts were made with the Agency and only 9.2% or 11,818 resulted in the filing of charges. The rest of the inquiries did not result in the filing of a charge. This is an important service to the public. Those making the inquiries are directed to other agencies, if that would be appropriate, and they are told why the matter is not appropriate for the NLRB.

Question: Why not impose a filing fee to reflect at least a token of the government's costs in investigation and litigation?

Mr. Lubbers: As I said earlier, I am most reluctant to suggest any system which would create procedural or financial barriers for those who seek our help. I understand that you are suggesting a token filing fee. If it is truly a token, then I doubt that it would deter anyone but the poorest of charging parties and it would require establishing an accounting procedure that probably would exceed the income from the program.

But, even more importantly, if the token filing fee were to discourage only a handful of people who in turn decided to take matters into their own hands, I'm sure that the losses to the employers and unions affected would far exceed the financial return to the Agency. And in the final analysis, what basic rights we protect are public rights. They are not a union's or employer's or, for that matter, solely the rights of the individual employees or union members in the case before us. They are public rights.

Question: Should the Board consider seeking repayment from the losing party to cover the government's administrative and litigation costs?

Mr. Fanning: As the Supreme Court has pointed out in its Alyeska decision (421 U.S. 240), the basic and longstanding "American rule" is that litigation fees are not ordinarily recoverable by the prevailing litigant. The rule is designed to insure that people are not deterred from pressing their legal claims or defending against such claims. There are special circumstances in which the losing defendant must pay the plaintiff's or petitioner's legal fees, but most often those cases involve a statute which specifically provides for as much. The NLRA does not.

We have on rare occasions ordered the reimbursement of a charging party's, and the Board's, legal expenses. The standard is whether the case involves nondebatable defenses or defenses sometimes labeled "frivolous." In such cases, the public interest to be served by insuring that dockets are not crowded with cases lacking in any merit is believed to outweigh the interests served by the "American rule."

To what degree we can or should order reimbursement of such fees obviously is open to some debate. But it is clear that absent statutory authority - and we do not have it - we could not make it a regular or recurring practice without doing violence to a principle well-embedded in our jurisprudence.

Question: Why doesn't the Board or General Counsel establish stricter standards for both issuing complaints and in deciding cases, to weed out the cases having only a minor impact on national labor relations policy?

Mr. Lubbers: We do have standards for weeding out cases. As I noted earlier, about 65% of the cases filed in our Regional Offices are dismissed or withdrawn. Usually this is based on a finding by the Region that there is no merit to the charge. Regional Directors will also refuse to proceed with cases which, while meritorious, have such a de minimis effect on the rights of the parties involved as to not warrant formal administrative proceedings.

Also, as I mentioned before, our Information Officer Program has been very successful in discouraging the filing of non-merit cases while at the same time improving our service to the public.

Question: Couldn't the Board lessen its case load by refusing to consider cases which can be decided by an arbitrator chosen and paid for by the parties themselves?

Mr. Fanning: There are, of course, significant substantive considerations which might militate against taking such an approach. But putting them to the side and looking at the question from a purely mathematical standpoint, I doubt an expanded deferral policy would affect our caseload to any appreciable extent.

First, present Board policy is to defer in cases alleging violations of Section 8(a)(5) or 8(b)(3) - (unfair refusals to bargain by, respectively, employers and unions) - provided, of course, the respondent is willing to utilize the grievance mechanism established in the contract. Second, because of the subject matter they refer to, and because, in some instances, they implicate statutory priorities, charges alleging violations of numerous other sections of the Act cannot be deferred. In effect, then, the only cases that could be deferred, but presently are not, are some of those alleging independent violations of Sections 8(a)(1) or 8(b)(1)(A) and those alleging violations of Section 8(a)(3), 8(b)(1)(B) and 8(b)(2). (There may be an occasional Section 8(a)(2) charge that lends itself to deferral, but this would be so rare as to be statistically insignificant.) There are, of course, a lot of Section 8(a)(1), (3) and 8(b)(1)(A), (B) and 8(b)(2) charges. But most of them could not be deferred because of the nature of deferral itself. You would, for example, have to have a contract. That eliminates all charges filed in an organizational context. Of the remainder, many will involve a subject matter not subject to the contractual grievance mechanism.

There are numerous other factors further circumscribing the universe of possible deferral cases but, without going into all of them, the point is that whatever benefits there might be in adopting the most expansive deferral policy possible, one of them is not, in my judgment, that it will help reduce caseload significantly. Two statistical studies lend some support, in my judgment, to that observation.

Over a one year period, (mid-1973 to 1974), at a time when our deferral policy was as expansive as, in my view, it possibly could be, Regional Offices deferred 511 cases. Almost 55 percent were Section 8(a)(5) cases, and less than 5 percent were cases alleging violations of Section 8(b). There has been no change in policy with respect to Section 8(a)(5) cases, so it is a fair inference that (1) more than 1/2 of the cases we could possibly defer are already being deferred and (2) our current policy against deferral in 8(b)(1)(A), (B) and 8(b)(2) cases is not statistically meaningful. (Some of the 8(b) charges, in any event, would be 8(b)(3)s and currently we do defer such cases.)

In the next 18 months, ending December 21, 1975 - and let me reiterate that at that time our policy was as expansive as, in my judgment, it could be - 1121 cases were deferred. Assuming a relatively equal rate of increase in deferrals, from mid-1973 to December 31, 1975, it would appear that approximately 800 plus cases were deferred in calendar year 1975, a period in which we received over 34,000 unfair labor practice charges. In FY 1982, we anticipate about 49,000. If the ratio holds true, about 1150 cases would be potential deferrals. But if the ratio of cases involving refusals to bargain holds true, in excess of 55 percent, or about 650, of those 1150 cases will be deferred. That leaves about 500 cases or about 1 percent of expected unfair labor practice intake in FY '82, and about 90 percent of that 1 percent would be settled in the field offices, in a median of 40 days. So I don't think it's reasonable to assume that current deferral policy contributes to any significant extent to our caseload problems.

REAGAN REVISIONS

Question: What are the changes between your original fiscal 1982 budget request, and your revised request under the Reagan Administration?

Mr. Fanning: The Reagan Administration's 1982 budget proposal calls for a decrease in the Carter Administration budget as outlined in the table below. Both of these budget proposals represent the first budgets ever which contemplate the NLRB not being able to process in a year a number of cases equal to the number that will be brought to it in that year. Also, the large and out-of-proportion reduction in 1982 travel poses a potential problem since over 90% of our travel is mandated by case processing and case management. The rest is largely training travel, with a relatively small amount for employee transfers, details, and attending labor relations conferences.

1982 Budget Request Comparison

			Difference	
	Carter	Reagan	$	%
Budget Authority	$132,831	$128,336	-4,495	-3.4
Travel	7,336	6,236	-1,100	-15.0
Full-time permanent end-of-year staff	3,065	2,990	-75	-2.4
Estimated total case intake	63,630	63,630	-0-	-0-
Pending Cases - ULP 1/	19,808	23,128	+3,320	+16.7
- R	1,876	2,226	+350	+18.7
	21,684	25,354	+3,670	+16.9

1/ Total pending ULP cases were 10,088 in 1979 and 12,798 in 1980.

IMPROVED PRODUCTIVITY

Question: The General Counsel's Summary of Operations for Fiscal Year 1980 states: "The output per field professional per month increased from Fiscal Year 1979's figures of 145.8 units to 156.8 units---professional staff has increased only 43.1 percent during the past 10 years while the case intake has increased 72.3 percent."

What actions has the Board taken to account for this improvement in productivity?

Mr. Lubbers: We believe that the improvement in productivity can be attributed to a combination of factors which, acting together, have enabled us to meet the challenge of increased case intake with less than a proportionate increase in staff. First, the improvement in productivity is, in part, attributable to the "case management" system which the General Counsel put into effect 20 years ago in order to eliminate delay and backlog in the processing of unfair labor practice cases. The NLRB discovered that backlogs and delays often occurred during the steps required to deal with each case and developed the "case management system" to eliminate them. The system involved establishing time goals to handle each stage of processing a case and operating a thorough information measurement system to let managers know how they are doing. The "case management system" was highlighted recently by the Office of Personnel Management in a new publication entitled "Performance," a copy of which is attached hereto.

As a result of the "case management system" the median age of cases pending under preliminary investigation in the field offices dropped 62 percent (from 52.5 days in 1958 to 20 days in 1978). Regional Offices had averaged 116 days in 1958 to process a case from filing of charge to issuance of complaint, now done in a median of 45 days. As a result of this "case management system" over 90 percent of the ULP cases filed with the Agency are finally disposed of at the Regional Office level in a median of less than 40 days. The "case management system" which is currently in effect is undoubtedly the most important single factor which has permitted the NLRB's field offices to maintain casehandling during the past 20 years at a reasonably current level.

During the last 6 years, we have reemphasized the importance of training on both the Regional and national levels. We developed a training program for newly appointed supervisors which has greatly enhanced their ability to deal effectively with the staff and the caseload. We have also developed an advanced program for the training of field examiners which focused upon investigatory techniques and fostered the exchange of ideas between offices so that the benefits of the Agency's collective experience in thoroughly and effectively processing cases could be fully utilized. Our trial training program has enabled our staff of attorneys to be better prepared and more effective in presenting cases before Administrative Law Judges and the Board. The trial training program, aside from specific instruction on settlement technique, has also had a favorable impact on settlements in that it has encouraged representatives of the charged parties to seriously discuss settlement rather than accept the risks of litigation with the Agency.

Our training programs, particularly for new employees, have been of significant assistance in allowing the Agency to quickly expose new hires to the fundamentals of labor law so that they can be productive in the shortest possible time. Our ongoing training program in the Regional Offices for field examiners and attorneys alike has also, in our view, been very helpful in maintaining productivity at a very high level.

Aside from training, we have reduced, during the last 10 years, the supervisory ratio to approximately 5-6 professionals to one supervisor which has also been a factor in increasing productivity. Supervisors who have small teams are able to provide greater assistance to Board agents during the course of investigations so that cases may be decided at the earliest possible moment as soon as all relevant areas of inquiry have been explored.

We have sensitized our entire staff to the importance of productivity and the conservation of Government resources wherever and whenever possible. For example, we pay considerable attention to the scheduling of travel so that one Board agent can work on several cases or tasks during a single field trip. Our agents are also keenly aware of the value of election and settlement agreements to the Agency, and they make every attempt to bring the parties together, avoiding the necessity of costly and time consuming litigation. Our newest field attorney or examiner is aware that a one percent change in the settlement rate can save or cost a million dollars, depending on the direction of the change. We have reduced paperwork to a minimum by relying heavily on oral presentations, followed up by a short memorandum to the file setting forth the decision and the basis for it.

During the last 10 years, we have opened a number of Resident Offices which have enabled us to greatly reduce the time spent by our staff in travel status. Our Resident Offices in Las Vegas, Nevada; San Diego, California; Anchorage, Alaska; Des Moines, Iowa; Tulsa, Oklahoma; San Antonio, Texas; and a Subregional Office in Hartford, Connecticut, have proven to be extremely valuable in reducing the cost of processing cases in these areas which formerly were far from the duty station of any member of our staff.

Finally, no single system or program does it all. Rather, it is a combination of these actions together with dedicated field and Washington staffs who constantly are seeking quicker and more efficient ways to handle the caseload. This dedication to public service always has been a hallmark of the NLRB staff and has been the key to our success over the years.

In summary, productivity is not just something we look at once a year when we do the budget but rather, along with the promotion of voluntary settlements, is one of our most constant concerns throughout the course of the year. All of the Agency's managers know of the importance of productivity because close attention to it is a necessity if we are to successfully keep pace with the ever increasing caseload that would otherwise exceed our staffing ability.

Question: How will you continue to improve productivity?

Mr. Lubbers: Manifestly, it has become increasingly difficult to continue to achieve productivity gains year after year. In the years ahead, we will continue to strive to find ways and means to reduce the amount of time required to investigate and determine the issues brought to us for resolution. Our recent Regional Directors conference resulted in a number of suggestions which are under active consideration and, if workable, may result in considerable savings. We will continue to rely heavily on our settlement and training programs and to encourage the voluntary resolution of disputes. We intend to continue our highly successful training programs to better educate and train our staff concerning the latest investigatory techniques which have proven to be successful. We will also continue to study patterns of case intake and, when it is advantageous to do so, will propose the establishment of additional Resident and Subregional Offices.

Do you have any advice for other agencies to improve productivity?

Mr. Lubbers: We have, on many occasions in the past, briefed representatives of other agencies concerning the Agency's established case management system.

Although it is difficult for us to give advice to other agencies, we believe that the Agency's decentralized mode of operation, by which over 90 percent of our cases are resolved on a Regional level, together with our case management system, have been the two critical elements without which we could not have succeeded. Our 33 Regional Directors have authority to reach final decisions in the vast majority of situations subject to appeal to the Office of the General Counsel. Our statistics reflect that approximately 97 percent of our initial investigations are completed within 30 days and the decision implemented within an additional 15 days. Our Division of Operations Management performs a vital function in monitoring the work of the Regional Offices, coordinating cases with the various branches in Washington and maintaining liaison with the Regions so that cases move as smoothly as possible along the pipeline.

CONFERENCE TRAVEL

Question: It has recently come to the attention of the Subcommittee that the Board held a 6-day Regional Directors Conference in December 1980 in Scottsdale, Arizona, for some 35 of the Board's Regional officials, and 47 of the Washington officials.

Wouldn't it have been less expensive to hold the conference in Washington, D. C.?

How many Regional Director's conferences have you held in sites other than Washington, D. C.?

Mr. Lubbers: For many years, the Agency conducted the annual Regional Directors Conference in late September or early October, after the vacation season, to discuss plans, objectives and problems which were to be encountered in the new fiscal year. When the Federal Government changed the beginning of its fiscal year from July 1 to October 1 and we experienced several annual budgetary crises which resulted in sharp curtailments of operation, we changed the date of the Directors Conference from the fall to the spring which, we hoped, would occur long after the budgetary problems were resolved. The dates and locations for the last five Regional Directors Conferences not held in Washington are set forth below:

Denver, Colorado	October 11-15, 1976
San Francisco, California	April 9-14, 1978
Boston, Massachusetts	March 25-30, 1979
Scottsdale, Arizona	December 13-20, 1980

Last year, in late August and September, in anticipation of reduction in budget for which the 2-for-1 hiring freeze was a precursor, we decided that it was important to conduct a Directors Conference to focus on ways and means to process the cases with possibly reduced staff and resources, and to examine all areas of the casehandling continuum where resources and staff could be saved. In anticipation of the conference, a special task force met to develop a list of ideas which would be discussed with the Directors at the conference and which might form the basis of our program to meet the challenge of the budgetary reductions that were on the horizon.

The conference was imperative also in order that we could review the fairness and effectiveness of the Senior Executive Service evaluation system as it applied to the Regional Directors, who constitute half of the Agency's total number of SES employees.

We selected Scottsdale because it was a $50 per diem city rather than a high cost area such as Washington where the per diem costs for those attending would have been $75 per day. We also limited participation of Washington conferees to those essential to the topics being discussed. Thus, for example, representatives of the Division of Administration, responsible for space, equipment, records management and personnel administration, did not attend as they have in the past, since their respective areas of expertise were not involved in the specialized agenda this year. Similarly, representatives from the Appellate Court Branch, Special Litigation and Contempt Sections did not attend.

The Washington group, comprising 47 individuals, was the smallest it has been in recent years and most of the participants did not attend the entire meeting. Although the conference, after compensating for the increased per diem cost applicable in Washington would have been somewhat less expensive had it been held here, it would not have afforded the opportunity for the Agency's top level Washington personnel to meet informally with our Regional Directors in an atmosphere free of the pressures of the telephone and other problems pending in their offices. In the past, we have concluded that these informal meetings are invaluable in improving working relationships and in focusing on the issues considered at the conference. The conferences, which have been held in cities where we have offices, have also given a rare opportunity to the local Bar and labor relations community to meet informally with all of our Regional Directors and key Washington staff.

Question: What plans do you have to reduce to an absolute minimum the burden of national office staff attending conferences?

Mr. Lubbers: In addition to reducing the staff attending the Regional Directors Conference, we have already reduced the Agency's contingent at the mid-year meetings of various committees of the Labor Law Section of the American Bar Association and we will continue to limit the attendance of our Washington office personnel at other conferences to a minimum. Where possible, we will combine attendance at conferences along with other business such as meetings with Regional Office staff and meetings with representatives of labor and management on a local level.

INCREASED CASE LOAD

Question: Fiscal Year 1980 saw another record case intake of 57,100 cases, compared to 33,600 in Fiscal Year 1970.

Given the fact that union membership has remained relatively stable over the last decade, (between nineteen and twenty million union members) why have we seen the continued increase in cases year after year?

Mr. Fanning: There is no correlation between the size of union membership and the Agency's caseload. The number of employees covered by the statute is far, far greater than the number of union members.

I'm not aware of any definitive study on the reasons for the continuing increase, but in my view, the principal reason is the continuing expansion in the workforce at large. There probably are other contributing factors as well. To some extent, the caseload climb is a result of our own success. More and more people are aware of the rights and guarantees provided by the statute. There also seems to be - and this is just based on my own feelings - a greater litigiousness in our society. People are more willing to assert at least what they perceive to be their rights. I suppose inflation may have something to do with it also. In both organizing and established bargaining contexts, inflation may produce "harder" positions and that increases the likelihood that legal boundaries either will be overstepped or will be perceived to have been overstepped.

Question: What can the Board do to lessen this growing case load?

Mr. Lubbers: I described our Information Officer Program earlier. That program is designed to reduce case intake and at the same time improve our service to the public. I have recently issued a memorandum to our Field Offices describing the results of our first year under this Program. I am submitting a copy of this memorandum for the record. We think this Program will reduce the rate of growth of our caseload increase and are very proud of the record of improved public service reflected in it.

Where a charge is filed, we investigate it and, if meritorious, seek to settle it. Each year we settle over 80% of our merit cases. This obviates the expense and delay attendant on litigation. In addition as I indicated earlier, the General Counsel's Office has however always refused to issue ULP complaints in cases where the violation is de minimus. This policy reduces the number of cases going into the litigation process.

DISCOVERY IN TRIAL PROCEEDINGS

Question: Why doesn't the Board allow pre-hearing discovery (through interrogatories and depositions) of the basic elements of each side's position? Such a practice would promote settlement of unfair labor practice cases by allowing each side to assess the merits of the case and the likelihood of winning. This is one procedure which could save all parties considerable time and expense of the hearing and posthearing litigations, in addition to lessening the heavy burden of backlogged decisions at the administrative law judge level.

Mr. Fanning: First, let me reiterate that the General Counsel already settles in excess of 80% of all meritorious cases prior to trial. We are of course interested in anything that will promote settlements and I think that's proven by the enviable settlement record we have.

With respect to pre-hearing discovery, our basic policy, set out in one of our rules (Section 120.118(b)(1)) is that a witness's statement is not disclosable unless and until he or she has testified and then it only can be utilized for purposes of cross-examination. This has been a longstanding Board policy and one the Supreme Court has endorsed in its Robbins Tire decision (437 U.S. 214). As the Court noted, disclosure of such statements would entail the risk that employers or unions "will coerce or intimidate employees and others who have given statements, in an effort to make them change their testimony or not testify at all." (437 U.S. at 239). The assessment that employees would be reluctant to provide what they believe will be incriminating evidence against their employers or unions in the absence of such a disclosure policy is not merely an assumption on our part but a function of our experience, which demonstrates the reluctance of employees to provide statements which they have reason to believe would incriminate their employer or union.

I would add that I have strong doubts that pre-hearing discovery would save any time, as you suggest. All sorts of discovery issues would have to be resolved before the trial could proceed. Certainly no one would suggest that discovery at the district court level, for one example, has speeded up litigation there. Rather, it has become a major factor in delaying litigation. The extensive diversion of resources caused by pre-hearing discovery would also be particularly inappropriate at a time when our resources are as limited as they are now and are likely to be in the foreseeable future.

Finally, I note that pre-hearing discovery would not only fail to reduce the level of pending ALJ decisions (which would instead be increased by having to deal with a host of discovery issues that are bound to arise in connection with a given case); it would so bog down the hearing of cases that even if it would have a favorable impact on the "decisional" aspects of an ALJ's work, the price for it in terms of further hearing delays would be far too high.

HIRING ADMINISTRATIVE LAW JUDGES

Question: Last year you told us that by this time you planned to have about 115 of the 130 administrative law judges you are authorized. How many do you presently have on board?

Mr. Fanning: 112. Were it not for the freeze, we would have two or three more. We will have 115 shortly, in my judgment. In all likelihood, we will get as high as 125 before FY '81 ends. We work very hard on getting ALJs.

Question: In reviewing your budget justifications, you report that the average time to schedule a hearing, conduct the hearing, and have a judge issue a decision has increased from 127 days in 1975 to 299 days in 1979.

What was the average time for 1980?

Mr. Fanning: I think you may have added two figures which should not be added. In 1975, the median time from complaint to close of hearing was 55 days and the median time for close of hearing to issuance of ALJ decision was 72 days. In 1979, the comparable figures were 142 and 157 days. But the medians in a given year cannot be added because they do not cover the same cases. In arriving at the median, a point in time is selected, - here, the end of a fiscal year. Next, you look at all the cases in a particular stage of case processing at that time, for example "all complaint cases pending hearing;" and then you compute the median age of the cases in that stage. Whatever the median is, it cannot be added to another median because the latter is the product of different cases in a different stage at the same point in time.

Returning to your question, although we do not have data for all of FY '80, a recent sample of cases shows the median for complaint to close of hearing was 161 days and for close of hearing to issuance of ALJ decision was 139 days.

Question: What accounts for this sharp increase?

Mr. Fanning: In 1975, hearings were scheduled in 3,135 cases. In 1980, hearings were scheduled in 6,266, just short of twice as many. On July 1, 1975, we had 97 ALJs. Since then, we have hired 75 more, but in the same period we lost 60 ALJs, because of 51 retirements, 8 deaths and 1 resignation. The net gain of 15 ALJs just was not enough to keep pace with the doubling of the hearing calendar.

Question: What is your present backlog of cases waiting for a hearing? And, how long will they have to wait for their hearing?

Mr. Fanning: We had 2,854 cases waiting for hearing as of the end of February of this year. Those being docketed currently will be heard in 9 to 11 months, in the absence of special circumstances giving them priority. Those previously docketed will be heard in 6 to 9 months from the time of docketing.

Question: Do you plan to have 130 administrative law judges this year?

Mr. Fanning: At present, OPM has allocated us 115 GS-16 ALJ positions, and we have an application pending for an additional 10 positions. We were promised 130 allocations by OPM a while ago and we have no doubt OPM will honor that commitment - given to us in deference to our taking the lead in getting legislation which, at the time, increased by 100 the number of ALJs the government could employ. When our application is granted, we should reach a complement of 125 judges by the end of this fiscal year. We anticipate asking for 5 additional position allocations as we approach 125 and hope to reach 130 early in the next fiscal year. If qualified applicants are available sooner, and when OPM permits, we would accelerate the expansion to 130.

Question: Will 130 administrative law judges be able to handle your projected workload as well as reduce the large case backlog?

Mr. Fanning: I would prefer not to speculate on that, but my guess is that with 130 we could cut back the hearing calendar substantially and at the same time reduce the number of pending decisions (that is, the number of cases heard but not issued by an ALJ). The simple fact of the matter is that the size of the corps of ALJs must keep in comparative pace with the number of complaints issued.

Question: Do you have any figures concerning the employment background of the complement of administrative law judges? Specifically, can you tell us what proportion of the administrative law judges came from the ranks of labor, from management, and from the government?

Mr. Fanning: We presently have 112 judges. Of these 97 were working for the Board, or other federal, state, or local agencies at the time they became ALJs. Fifteen were in the private sector at the time they became ALJs, with 9 representing unions, 5 management, and 1 neither.

A more complete breakdown shows that of the Board's present complement of judges:

A. 64 were hired from other positions with the Board or the General Counsel. Of these
    1. 37 had only government experience
    2. 11 had spent some time in the private sector representing management in labor relations matters
    3. 1 had spent some time in the private sector representing both labor and management
    4. 15 had spent some time in general practice of law.
B. 28 were hired from positions with other Federal agencies. Of these:
    1. 11 had only government experience
    2. 2 had spent some time in the private sector representing labor in labor relations matters
    3. 3 had spent some time in the private sector representing management in labor relations matters
    4. 12 had spent some time in general practice of law.
C. 5 were hired from positions with state or local government. Of these:
    1. 3 had some prior experience with the NLRB

  2. 1 had spent time in the private sector representing labor in labor relations matters
  3. 1 had spent some time in the general practice of law

D. 9 were hired from the private sector where they had represented labor in labor relations matters. Of these:
  1. 5 had prior NLRB experience
  2. 4 had experience representing only labor.

E. 5 were hired from the private sector where they had represented management in labor relations matters. Of these:
  1. 4 had prior experience with the Board
  2. 1 had experience representing only management.

F. 1 judge was hired from the private sector with some past experience representing management.

Considering total experience, at one time or another 105 ALJs have served in federal, state, or local government, and 61 have worked in the private sector, with 12 having represented labor, 20 management, 1 both labor and management, and 28 having engaged in the general practice of law.

Question: Would it not be a good policy in the future to seek to appoint administrative law judges with practical experience in labor relations, rather than with a bureaucratic or academic background?

Mr. Fanning: I assume that by "practical experience" you mean experience in the private sector. But, as indicated in response to your previous question, well over half of our ALJs did work at one time or another in the private sector. As far as adopting a policy on appointments is concerned, let me reiterate that the selection process does not give the Board wide latitude in making appointments. There are three pools from which OPM permits ALJs to be picked. First, there is the general register of qualified applicants, maintained by OPM pursuant to its Announcement 318. With your permission, I'd like to furnish for the record a copy of the announcement. It may eliminate some of the confusion in this area. For example, it will reveal that the "academic" experience to which you refer doesn't count at all toward qualifying experience. The second pool is composed of those applicants selectively certified, again by OPM, as having specialized labor experience. This is our main source of supply, so to speak - because individuals with experience in labor law can become immediately productive and their background is invaluable in dealing with the specialized and complex issues that come before them. And let me emphasize here, that for many years the Board has appointed every applicant selectively certified by OPM, provided, of course, the applicant wanted to come with us. The third pool is comprised of current ALJs employed by other agencies. We have effected transfers - all voluntary - of about 13 ALJs in this pool, and several of these had private sector experience before becoming an ALJ.

The reason why relatively few ALJs have been appointed directly from the private sector is that very, very few private practitioners who have the qualifications needed for selective certification have applied to OPM to be certified. Three principal factors appear responsible. The foremost is the government pay cap. If you meet the requirements of announcement 318 and you are a capable private practitioner, it's virtually guaranteed the government will pay you less than you're making now. Second, as a result of the application process administered by OPM under Announcement 318, clients and law firms learn of applicants' interest in appointments as ALJs, and applicants seem to fear adverse affect on their law practices in the event that they fail to qualify. Finally, many potential applicants are discouraged by the costs, both emotional and economic, of moving from where they presently live to a new location. Although we have opened two new offices for ALJs in New York and Atlanta in the last two years for the purpose of attracting additional applicants, those who have been attracted to these locations for the most part have come from the government.

There is no way for the Board to recruit ALJs directly from the private sector without passing through the OPM selection process. Board Members, the General Counsel, Regional Personnel, ALJs hearing cases in the field, and the labor sections of bar groups regularly encourage members of the labor bar to apply to OPM for certification of eligibility. But, for the reasons I've given, our success rate is not high. To give you a concrete example, at a recent meeting of the Practice and Procedure Committee of the Labor Law Section of the American Bar Association, a questionnaire was distributed to more than 100 participants, all labor lawyers in the private sector, asking whether any might apply under present circumstances, and also whether they would be interested in applying if the Board opened ALJ branch offices in other major cities. No one responded affirmatively.

ANALYSIS OF TRAVEL EXPENDITURES

Question: Last fall, legislation was passed requiring the General Services Administration to make an agency-by-agency analysis of travel by government employees. A partial report recently revealed that Government travel spending runs about $3 billion a year.
How many annual trips per capita are made per year by your employees?

Mr. Fanning: We estimate that in Fiscal Year 1980 NLRB employees made approximately 125,000 trips. I construe "per capita" to mean "per traveler" and not all Agency employees. Spread among almost 1,500 Agency travelers, the average number of trips per traveler per year is 84.1. Over 95% of these trips are made by our Regional Office personnel to investigate and/or hold hearings in unfair labor practice cases or to hold hearings and/or conduct elections in representation cases.

Question: How does your agency's average length of trip, in days, compare to the government-wide average of 8.8 days?

Mr. Fanning: We estimate that in Fiscal Year 1980 the average length of trips made by Agency employees was 1.1 days, so the government-wide average is 700% higher. As I mentioned, over 95% of our travel is for the purpose of case investigation and/or case management. Since the NLRB has regional, sub-regional and resident offices throughout the Nation, these investigatory trips most frequently last less than a day. Casehandling details between and to the Regions and other travel increase the Agency average very little since these are under 10% of Agency travel.

Question: What is the average cost of trips made by your employees?

Mr. Fanning: In 1980, the average total year's travel cost was $3,043 per employee who traveled.

Question: What is the actual average cost per trip? The government-wide average is $176.

Mr. Fanning: The average cost per trip in 1980 was $36. This amount includes carrier expenses, per diem and any other charges under object class 21. The average for the entire government is almost 400% higher. As I mentioned, over 90% of our trips are made for casehandling purposes and frequently do not require overnight accomodations.

Question: What percentage of your trips accounts for:
- operational or managerial activities?
- travel for training?
- informational meetings?
- conferences?
- speeches or presentations?
- special mission travel?
- relocation of employees?
- unknown reasons (blanket authority to employees)?

Mr. Fanning: The vast majority of our travel, about 95%, is directly related to casehandling or casehandling management and support. We are pleased to submit for the record the table below which shows the percentage breakdown for NLRB travel in Fiscal Year 1980.

Reason for Travel	% of Total
Operational or Managerial Activities	90.3
Travel for Training 1/	2.3
Informational Meetings 2/	0.8
Conferences - Training 3/	3.6
Conferences - Other	0.1
Speeches or Presentations	0.9
Special Mission Travel (EEO, grievances, etc.)	3.6
Relocation of Employees	0.7
Unknown Reasons	0.0
	100.0

1/ Travel for courses, programs and required executive development.

2/ Agency management travel to coordinate or expedite the implementation of new programs, initiatives and related problems.

3/ Formal Agency-run training conference programs on law and casehandling procedures.

OFFICE OF THE GENERAL COUNSEL

March 24, 1981

MEMORANDUM

TO: All Regional Directors, Officers-in-Charge,
Resident Officers

FROM: William A. Lubbers, General Counsel

SUBJECT: Public Information Program - First Annual Review

On July 27, 1979, we announced plans for revitalizing our Public Information Program (Memorandum 79-63). As noted in that memorandum the announced changes in the Program were designed to both improve the delivery of information to the public and, at the same time, to reduce case intake by discouraging the filing of nonmeritorious charges. These changes were the result of the experience gained during 1978 and 1979 when various Regions were designated to conduct their information programs under experimental guidelines. The results of those experiments were transmitted to you by memorandum dated December 12, 1978.

In addition to establishing guidelines for the Program, we asked the Regions to collect information concerning their experience under the program with respect to such matters as the number of public information contacts handled by the Agency, the number of charges resulting from these contacts and the merit rate of public information charges. The importance of the Public Information Program as a major area of our work emphasizes the necessity for all Regions to maintain complete and accurate records with respect to public information inquiries. While we have not been able to complete the reports from all the Regions, the information received thus far for the period November 1979 thru September 1980 highlights the important service that the Information Program plays in the operations of the Agency and in fulfilling our obligations to the public.

For example, during the 11-month report period a total of 129,037 public information contacts were reported by the Regions. Of these 129,037 contacts, the vast majority -- 77.5 percent, were made telephonically, 19.7 percent involved personal visits and 2.8 percent originated through the mail. There were, of course, variations in these figures among the Regions. For example, the percentage of Information Officer contacts that involved personal visits ranged from a low of 11.1 percent to a high of 36.9 percent. One Region reported that visits represented 65.4 percent of all Information Officer contacts.

Based upon the Information Officer's knowledge of the operation of other State and Federal Agencies, approximately 23 percent of these inquiries were referred to other agencies.

The rate of charge acceptance (the ratio of unfair labor practice charges accepted to the volume of public information inquiries received) provides an indication of the effectiveness of the program in preventing the filing of nonmeritorious charges and charges over which this Agency would not have jurisdiction. During the 11-month report period our figures show that 11,818 charges resulted from the 129,037 public information inquiries. 1/ Accordingly, during the report period charges were accepted in 9.2 percent of all Public Information inquiry situations reported. This figure ranged among the Regions from a high of 22.7 percent

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1/ It has been projected that if all Regions had submitted four quarterly reports for the 12-month period ending September 30, 1980, a total of 177,200 inquiries would have been reported. It was also projected that approximately 16,400 charges, or approximately 32% of total charge intake, would have been received through the Public Information Program.

to a low of 2.1 percent. Generally, it appears on the basis of this preliminary data, that the Regions are effectively discouraging the filing of nonmeritorious charges. It is noted that during the 1978 experiment, the overall charge acceptance rate of the eight participating Regions was 10.38 percent. Although it is difficult to conclusively compare the 1978 data with our most recent 11-month experience, the 1978 data suggests that the Regions have become more effective in this area than they were previously. Seventy percent of the 11,818 charges filed in this category were filed by individuals.

The merit rate of unfair labor practice charges which were the result of the Public Information inquiries has not been previously examined on a national basis. Our preliminary figures show that the overall merit rate for Information Officer related charges filed by individuals was 19 percent, while Information Charges filed by employers or unions had an overall merit rate of 35 percent. The merit rate for individually filed charges ranged from a high of 28 percent to a low of 11 percent among the Regions; the merit rate for employer or union filed charges ranged from 57 percent to 12 percent.

It is clear from this data that no other Agency program affects as many people as does the Public Information Program. It is through the Regions' administration of this program that tens of thousands of persons are provided with guidance as to what this Agency can and can not do for them. In addition, many persons are directed to other Federal and State Agencies where they may be able to obtain assistance. This Agency has always been cognizant of the importance of the Program and of the sensitivity and care with which it must be administered so that charges are taken where appropriate and so that persons, for whom this Agency cannot be of assistance, fully understand the purposes and scope of the Act and the limitations of our remedial authority. The Regions' success in discouraging and preventing the filing of clearly nonmeritorious unfair labor practice charges is of particular significance to this Agency in view of our limited and diminishing resources. Further, the fact that this success has been achieved with sensitivity and concern for the persons who contact us is demonstrated, in part, by the virtual absence of complaints from the public regarding the operation of the Public Information Program.

In the past several years the Agency has placed special significance on the Public Information Program by emphasizing the importance of training personnel to carry out this Information Officer function and by taking steps to ensure that only persons with significant experience are assigned to work as Information Officers. I fully endorse these efforts and I commend you and your staffs for having successfully implemented this Program.

I am confident that continuing emphasis on this Program, including the careful training of individuals who serve in the Information Officer role, will result in the continued success of the Program.

Please contact your Assistant General Counsel regarding any questions you may have about the Public Information Program or this 11-month report.

W.A.L.
W. A. L.

MEMORANDUM

United States
Office of
Personnel
Management

Performance

Vol. 2, No. 1

February 1981

NLRB's Office of the General Counsel

Twenty Years of Productivity

One of the best examples of an organization increasing its productivity and maintaining it over the long run is the National Labor Relations Board (NLRB). Beginning in 1959, its Office of the General Counsel undertook to eliminate delays and backlogs in processing unfair labor practice cases. Its approach not only worked at the beginning but has proved its value for over twenty years.

Significantly, the NLRB's productivity accomplishments took place in the "case management" area. Case management is carried out by many Federal agencies whose workloads consist of claims, complaints, or applications. The NLRB discovered that backlogs and delays often occurred during the steps required to deal with each case and developed the "case management system" to eliminate them. The system itself involves establishing time standards to handle each stage of processing a case and operating a thorough information measurement system to let managers know how they are doing.

As a result of NLRB's innovations, the median age of cases pending under preliminary investigation dropped 62% (from 52.5 days in 1958 to 20 days in 1978). Regional offices that averaged 116 days in 1958 to process a case from filing of charges to issuance of complaint now do it in a median of 45 days. Still more impressive, the NLRB made these gains during years when its total case intake tripled.

When the NLRB Began

Congress created the National Labor Relations Board with the Wagner Act in 1935. The Board administers the law governing relations between labor unions and businesses engaged in interstate commerce. Its two principal functions are to determine and implement through secret ballot elections whether or not employees wish to be represented by a union and, if so, by which union, and to prevent and remedy unfair labor practices by employers or unions or both.

How the NLRB Operates

The NLRB's authority is divided between a five member Board and the General Counsel, all President appointees. In addition, it employs administrative law judges who hear and decide unfair labor practice cases. Charges of unfair labor practices may be filed in NLRB's regional, subregional, or resident offices.

The NLRB's operations place great importance on the role of regional offices. Operating on a budget of approximately 100 million dollars for FY 1979, the agency employed about 3,000 people, with 2,000 assigned to the 33 regional offices, 350 to the Board, and 600 to the Washington Office of the General Counsel.

The regional offices are staffed according to their caseloads and are headed by Regional Directors. Next in line are the Regional Attorneys and the Assistants to the Regional Directors; the former supervise the legal work and the latter the investigative and election work of the region. First level supervision is carried out by attorney and field examiner supervisors who head teams of six to eight professional employees classified as either field examiners or attorneys. The staff of the regional offices is divided about equally between field examiners (who perform investigative work and election work including holding certain hearings) and attorneys (who litigate unfair labor practice cases in addition to investigative and election work).

The Regional Directors are responsible for managing the offices. They also decide the merits of unfair labor practice charges and representation petitions.

Once an unfair labor practice charge is filed, a team member investigates the case and performs a legal analysis. He or she then makes a recommendation which is reviewed by the team supervisor, the Assistant to the Regional Director and/or the Regional Attorney before it goes to the Regional Director. If the Regional Director concludes that the charge has merit (and the case has not been settled), the Director authorizes issuing an unfair labor practice complaint. Once a complaint is issued, an Administrative Law Judge holds a formal hearing. The Judge's decision may be appealed to the Board and further actions or appeals may take place before the U.S. Courts of Appeals or, in a small number of cases, the U.S. Supreme Court.

If the Regional Director concludes that the charge lacks merit and the party making the charge does not withdraw it, he or she will dismiss it. Dismissals may be appealed directly to the General Counsel in Washington. If the General Counsel reverses the decision, the matter goes back to the regional office to issue a complaint. If not, the dismissal stands.

In the late 1950s, the NLRB experienced delays in processing its cases. In a speech to the Allegheny County Bar Association in Pittsburgh, Pennsylvania, then Senator John F. Kennedy singled out the delays in processing a case before the NLRB as an example of the adage "justice delayed is justice denied." Under both internal and external pressure, the NLRB's Office of the General Counsel began looking for a way to solve the twin problems of time delays and backlogs.

Building the Case Management System

The OGC began its work with the broad guideline of establishing interim goals for each stage of case processing. Associate General Counsel Joseph E. DeSio, who has been with the NLRB since the system's inception, describes it as "really one of management-by-objectives. We took the case handling pipeline, broke it into its major stages, and determined what goals or objectives we wanted for each." Aided by a study of case handling and the experience of selected staff members, the NLRB settled on a time in which an average case should be processed. It determined that the standard time for investigating and determining the merit of an unfair labor practice charge is 30 days. Once the merit has been determined, any action implementing that decision (withdrawal, dismissal, settlement, or complaint) should be completed in an additional 15 days. Thus, the issuance of a complaint and notice of a formal hearing is due 45 days after the charge is filed. The NLRB seeks to close the hearing in an additional 45 days or 90 days after the charge is filed.

Once the standards were determined, the NLRB convened a meeting with its top field managers to discuss them. At the same time, it prepared an information system to measure progress and tell its managers periodically how they were functioning against the standard. According to Mr. DeSio, "We not only set the objectives—we measured them on a continuing basis." The success of the NLRB's regional casehandling measurement system is even more apparent twenty years after its start.

Regional Data Base and Statistical Reports

The NLRB created a unit in Washington to gather data and compile monthly statistics on regional offices' casehandling performance. Today, the statistical functions are the responsibility of branches within the Division of Administration in the Office of the General Counsel.

The Statistical Services staff receives case dispositions, staffing, and overage case reports monthly from each region. The Data Systems Branch receives monthly reports on objections and challenges, initial elections, and injunctions. From such data, these offices tabulate and prepare summary reports for headquarters and regional management. The reports include:

- percentage of cases successfully litigated;
- percentage of cases settled;
- median age of cases pending under investigation;
- median days for issuance of complaint; for issuance of Regional Director's decisions in representing cases; for conduct of representation elections; and for issuance of reports on objections and challenges in representation cases;
- number and percentage of overage cases in different stages computed both nationally and by regional office; and
- the average productivity per professional by regional office.

The NLRB's system is similar to other Federal measurement systems in that it focuses on "aggregate" productivity by each office. The NLRB does not attempt to use the system to measure productivity of individuals; however, since regional offices submit monthly data on caseloads, backlogs, and staffing, the data can be divided by the number of employees to get the average productivity data.

Headquarters Monitoring Regional Performance

OGC's Division of Operations Management reviews the statistical reports and charts prepared by the Division of Administration to determine how well the regions are meeting various performance goals. Six Assistant General Counsels within the Division of Operations Management oversee six Districts comprised of five to six regional offices. Based on their review of the statistical reports and their knowledge of the regions' operations (gained by regular telephone conversation with top regional officials as well as periodic visits), the Assistant General Counsels send the reports and their comments and suggestions for improved performance to the regions monthly. The Washington office seeks to send the reports back to the regions by the middle of the month following the reporting, so both headquarters and regional personnel work with the latest information.

The regions receive statistical charts that identify where each stands in the range of the national performance (Figure 1 provides an example of such a chart).

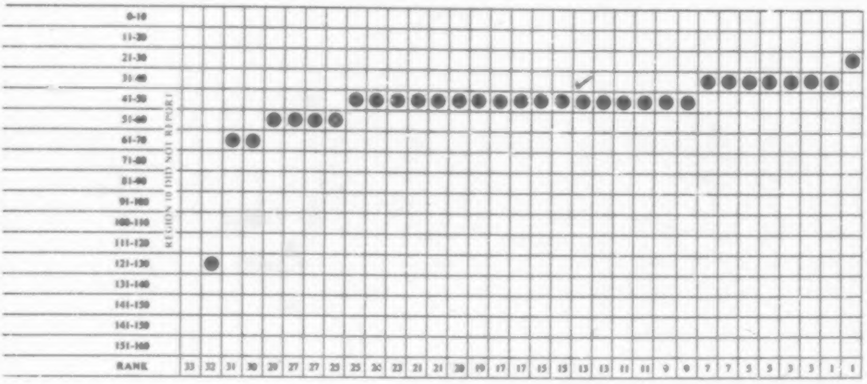
Figure 1

MEDIAN DAYS FROM FILING OF CHARGE TO ISSUANCE OF COMPLAINT

Designates Your Region ✓

National: 45

OCTOBER 1979



The regions other than the one receiving the chart are not identified; the anonymity reduces the potential for the offices to engage in a statistical competition.

Computing Regional Productivity

The primary source documents used to compile productivity data are the regional case dispositions and staffing reports. (Figures 2 and 3 are abbreviated examples of these reports). The case dispositions report provides the data to calculate the total number of work units produced by the region each month, and the monthly staffing report provides information to determine the total number of work days available for case work.

The regional staffing report lists such items as the total number of professionals and clericals on the staff at the end of the month; the number of professionals with less than four months' experience (they are deducted from the available staff); the number on detail to Washington or other regions; the amount of leave; the time professionals spent working on other region's cases, administrative work, or special projects (e.g., training); the days spent on travel; and other information to give a clear picture of the staff hours available for case work. Once the staff time is computed, it is divided by the number of working days in the month. The result is the amount of professional days available for case work.

For example, if a region reports 35 professionals on the staff at the end of August, the number would be multiplied by 21 working days to get a total number of 735 days available for case work by professionals. The days reported spent on leave or work such as details are subtracted from the total—leaving an adjusted total of 702 days. This figure is then divided by 21 working days to get an adjusted staff figure of 33.4.

The case depositions report shows the number of various case actions taken by the region during the month. For example, the report will show the number of cases dismissed, settled, or withdrawn; the number of complaints issued; unfair labor practice hearings closed; and the number of investigations completed. Headquarters and regional personnel have jointly established point values or weights for each of the stages of case processing listed on the case dispositions report. The weights are based on estimates of the approximate time it takes to process the mythical "average" case through a particular stage. For example, to process a case through dismissal—29 hours; through pre-complaint informal settlement—34 hours; and through close of unfair labor practice hearing—90 hours. The total output is obtained by multiplying the weights assigned to the various stages of case processing by the number of the particular case actions taken (6 dismissals multiplied by a weight of 29 = 174). The resulting figures for all of the case dispositions recorded on the report are added. Units of output per professional are found by dividing the month's total output by the staff figure. The results are shown in one of the performance charts which go to each region monthly.

Figure 2

Regional Case Dispositions Report Region ________

Situations or Proceedings

Month	Intake & Investigations			Pre-Complaint Situations Disposed of by the Following Actions				Post-Complaint Situations Disposed of by the Following Actions				
Weights				29	25	34	26	40	38	46	54	42
	investigations pending at beginning of month	intake	investigations completed	dismissal letter issued	withdrawal request approved	informal BD settlement approved	non-BD settlement or oral agreement approved	dismissal letter issued	withdrawal request approved	informal BD settlement approved	formal Board settlement to Washington	non-BD settlement or oral agreement approved
Jan.												
Feb.												
Mar.												
Apr.												

Ensuring Quality

Because delay in resolving the disputes brought before the National Labor Relations Board or any adjudicatory authority frequently results in a denial or at least in a diminution of the quality of justice, the operational goals of the case management system are an important factor in ensuring quality of work. Nevertheless, to avert time goals becoming an end in themselves, the Division of Operations Management continuously reviews the work of the regional offices to determine if investigations are complete, legal analysis is adequate, and other work is in accord with high standards of quality. Staff members regularly visit regional offices to review case files and also review a wide variety of casehandling documents the regions send to Washington.

Further, the regions' performance in meeting the time targets are measured on the basis of medians. The system itself recognizes that there will be overage cases because of the unavailability of witnesses or other factors that cannot be handled within the established time frames. The system provides regional managers and supervisors with the flexibility to accommodate such situations.

SES Appraisals and the Case Management System

The information resulting from the system has been incorporated into one of four critical elements used in the SES Appraisal System for Regional Directors. While many factors are considered in judging the performance of top regional managers, the regions' achievements in reaching the various operational goals established by the system are important components.

Over the Long Run

While the NLRB's case management system has long been established, the agency has learned, particularly in view of its ever-increasing caseload, that it is not self-perpetuating. Both the Division of Operations Management and the regional offices must pay constant attention to the myriad casehandling problems, periodic staffing imbalances, and other difficulties to keep the system running smoothly. With this care and attention, a nationwide organization charged with a complex mission is able to process thousands of cases essentially within its time objectives.

While the NLRB's system measures productivity, its primary focus is the time goals which are carefully monitored to ensure that cases are promptly processed. The NLRB has found that, as a corollary to processing cases within its established time frames, backlogs have not developed and cases are processed expeditiously despite an increasing workload.

Overall

NLRB's Office of the General Counsel case management system has proved a simple, yet effective approach to removing backlogs and processing cases quickly and thoroughly. Besides ensuring that the public receives prompt, efficient service, the system demonstrates that

Figure 3

Report for month of

Regional Staffing Report

To: Division of Operations Management **FROM: Region** ______

			To be filled in by region	For Washington use only
	Atty.	Exam.		
1. Number professionals on staff at end of month.				
2. Number working days professionals who transferred out of region or resigned during the month were available for work.				
3. Number working days professionals newly hired or transferred to region during the month were not available for work.				
4. Number working days professionals were detailed to Washington or another region.				
5. Number working days professionals were detailed from another regional office or Washington to assist your region.				
6. Number working days professionals spent on leave.				
7. Number working days professionals spend on another region's cases.				
8. Number working days professionals spent on pre-filing assistance and information activities.				
9. Number working days professionals spent on special projects assigned by Washington to your region, national emergency elections, or teaching or training activities; and administrative leave due to weather or time lost due to closing of office.				
10. Number clericals on staff at end of month.				
11. Number days professionals spent on travel during regular workday.				

combining an information system that provides timely performance data to decision-makers with an intermediate goal approach offers managers a solid grip on their operations. Mr. DeSio says, "I firmly believe that the basic concepts of this system are applicable to a variety of other agencies in related fields. However, for the system to work most effectively, it is important that the staff be involved as broadly as possible in the development of the system so that they will be committed to its success upon implementation."

— Stephen N. Bryant
Program Analyst, Program Development Division
Office of Productivity Programs/WED

— other contributions by Mary Bentley
Measurement and Analysis Division
Office of Productivity Programs/WED

For More Information on NLRB's Measurement System

OPM's Measurement and Analysis Division has prepared a study analyzing and describing the NLRB measurement system. Single copies of the document will be available through the Productivity Resource Center, Office of Productivity Programs/WED, P.O. Box 14108, Washington, D.C. 20044. Telephone: (202) 632-6151. Bulk copies will be stocked for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C. 20044.

NLRB As an Exemplary Practice

OPM has launched the Exemplary Practices in Federal Productivity Program (EXPs) to identify, validate, and document improvements in Federal productivity. Once OPM has located and analyzed methods or procedures with outstanding results, it describes the practices in a series of publications distributed throughout government. Designed for use by managers and supervisors, the documents are published and distributed by OPM's Productivity Resource Center.

The Office of Personnel Management has designated the NLRB's Office of the General Counsel case management system an exemplary practice in Federal productivity. Its full report on the system was published in August, 1980. Single copies of the report and other EXPs are available from the Productivity Resource Center, Office of Productivity Programs/WED, P.O. Box 14108, Washington, D.C. 20044. Telephone (202) 632-6151. Bulk copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Other Exemplary Practices

San Antonio's Air Logistics Center's Productivity Improvement Program Kelly Air Force Base, Texas

With the mission of providing world-wide logistics support to Air Force aircraft, Kelly Air Force Base began a number of programs to increase their productivity. Projects included developing more accurate and reliable labor standards, improving the work environment and increasing employees' level of responsibility, funding prototype projects for improving procedures, launching an award program to instill employee competition, and operating a well-publicized suggestion program. The base's accomplishments were marked improvements in almost every aspect of the work.

USDA's National Finance Center

The Department of Agriculture has traditionally handled all of its administrative processes in a decentralized manner. In the last twenty years, however, USDA has begun a new processing program using computer technology and a centralized approach. In 1973, the department established the National Finance Center in New Orleans, Louisiana, to improve financial management information and also to devise more efficient processing functions to reduce the resources required for administrative activities. The Center has been markedly successful. In the past five years, it has doubled the number of documents processed per staff year.

HUD's Performance Improvement Project

After problems with backlogs and clerical errors in its Office of Finance and Accounting, HUD implemented a performance improvement project. The project's basic principle is that workers respond to positive reinforcement for good performance. Coupled with the reinforcement is a performance measurement system using simple forms maintained by the workers themselves. As the performance improves, managers and supervisors are responsible for the review of the performance data with the individual worker. The reviews allow the supervisor to reinforce and encourage workers who are meeting their goals and help those who are not. HUD's approach produced marked improvements in several work units. The experience has been so successful HUD is expanding it into other work units.

DOD's Productivity-Enhancing Investment Funds Program

Established as a supplement to the traditional DOD budget and procurement process, the program makes special "grant funds" available for low-cost, quick-return investments. The funds, divided among the three DOD service branches, become fast payback investment capital to be used essentially for small equipment purchases that will save labor and material at military installations. All the purchases are to produce savings equal to or greater than their original costs within two years. The savings are not paid back in actual dollars, but appear in lowered staff or budget requests or as increased workloads.

Technology and Productivity: Profiles of Eight Nominees for Exemplary Practices in Federal Productivity

Describing projects nominated but not chosen as EXPs, the document covers a variety of technological improvements such as micrographics, photography, and automated financial management and personnel systems. All the projects promoted productivity accomplishments and savings in the originating agencies.

EXPs Under Review

The following descriptions are of some of the projects nominated as possible Exemplary Practices. OPM received over eighty nominations during the first year of the program; the following projects are under active review.

Performance Contingent Reward System
Navy Personnel Research and Development Center
San Diego, California

The Navy Personnel Research and Development Center has developed a monetary incentive system and tested it with keypunch operators in six Navy shipyards. The success of the incentive plans in five of the six sites in increasing productivity from ten to forty percent has led to the development of a model program. Called the Performance Contingent Reward System, the model is based on a revised version of the expectancy theory of motivation. It is now being tested in projects involving word processing machine operators, supply clerks, and aircraft mechanics.

Quality Circles
Norfolk Naval Shipyard
Portsmouth, Virginia

After a pilot program with nine quality circles, the Norfolk Naval Shipyard, the largest in the Naval Sea System Command, has expanded to 44 circles. Because of ideas developed by the original nine circles, the shipyard has realized tangible savings of $220,000. The circles are an effort to bring workers into quality control and help improve work processes and products. Quality circles have also proved successful in the American private sector.

Management Consultation Process
U.S. Air Force

The Management Consultation Process was developed by the Air Force to improve the leadership skills of supervisors and the quality of worklife for all personnel. The process involves sending a team of Air Force consultants to requesting organizations to conduct organizational analyses and subsequent on-site consultation and training.

Do You Have an EXP?

OPM is looking for other possible EXPs and is requesting Federal managers to let us know of innovations in your organizations that have increased productivity. Once a nomination is in, OPM will review and substantiate examples that are transferrable and publish the most appropriate ones for use by managers throughout government.

OPM is interested in examples of projects, programs, or other organizational examples of improved productivity, including increased efficiency, effectiveness, responsiveness, or accountability. Nominations may be in two categories: (1) total system improvements—wherein the total performance of an organization is improved; or (2) unit improvements—wherein specific aspects of an organization are improved.

If you have a nomination, please include:

- name of the project or program
- name of the agency or sub-unit
- location
- person in charge and telephone number
- starting and completion dates (one year minimum)
- cost and/or number of employees involved
- goals and objectives
- means of achieving objectives (i.e., process, techniques, equipment, etc.)
- achievements (quantitative measures).

Nominations should be limited to 1,000 words or less but previously published material may be attached. OPM suggests but does not require that initial nominations be submitted through formal agency chains of command. If not, we will ask your Assistant Secretary for Administration for approval to publish the results of a nomination submitted for intensive review.

Submit your nominations to

Exemplary Practices in Federal Productivity
Office of Personnel Management
Office of Productivity Programs/WED
P.O. Box 14108
Washington, D.C. 20044

For additional details, write to Steve Bryant at the above address or call (202) 632-7647.

Observing and Recording Employee Performance

Implementing a successful agency performance appraisal plan requires thorough, accurate, and fair analysis of employee performance. In a May 1980 article on performance appraisal, *Performance* suggested that supervisors should periodically record employee performance to ensure they consider overall performance rather than only recent events which are freshest in the memory. The article suggested using notes or "drop" files that contain periodic summaries of performance, work samples, and employees' self-analyses. All are good suggestions.

To carry out these suggestions, however, supervisors must be cautious in maintaining their records and the methods they use should be fully and specifically prescribed by agencies. Also, with the advent of the Privacy Act, *all* supervisors must be aware of their responsibilities for safeguarding sensitive employee records.

To emphasize the need for specifics in record-keeping and to provide some parameters within which performance records may operate, OPM is establishing an Employee Performance Folder (EPF) system for maintaining performance-related documents. The EPF will be a companion but separate record with the Offical Personnel Folder (OPF). Regulations and a Privacy Act System Notice for the EPF will be completed early in 1981. The system includes both performance-related records maintained by supervisors at the work site and those currently maintained with the Official Personnel Folder in the personnel office. Although an agency has the option to maintain all records in the EPF, implementing a successful performance appraisal plan may required (at least during the appraisal period) that supervisors maintain some records at the work site. Thus the EPF system provides guidance so that employee Privacy Act rights are fully observed.

An important legal distinction must be made between a record that is a *personal memory aid* of the supervisor and an *agency-controlled record* that the supervisor is maintaining. The necessity for this distinction stems from law (the Privacy Act of 1974), from ethics (i.e., the employee should know what the agency is recording regarding his or her performance), and from recognizing that a memory aid, properly maintained and used, is an important and legitimate management tool.

The EPF system defines a personal note as one that is maintained solely for the use of the author, is not circulated to anyone else (including the supervisor's secretary), and is not under the control of the agency (i.e., is not required by the agency and may be retained or destroyed solely as the author sees fit). Such a note or record complies with the Privacy Act of 1974 in that the Act speaks of agency records rather than personal notes of agency employees (see OMB guidelines implementing the Privacy Act, published in the Federal Register, Vol. 40, page 28952, July 9, 1975). It is not unfair to the employee since it serves to remind the supervisor to work with employees to assess performance rather than let declining or improving performance go undiscussed. Losing such opportunities for aiding poor performance or commending good work could possible harm employees in that they could receive unsatisfactory ratings or lose opportunities to achieve outstanding appraisals. In addition, it provides the supervisor with the freedom to develop a useful tool, as circumstances of positions and employees warrant, and use it as an aid in improving employee performance whenever possible.

To make sure employee rights are observed, agencies should describe what records are under their control and whether they are maintained by supervisors at the work site, in the personnel office, or a combination of both. Generally, this description will be contained in the agency's performance appraisal plan or implementing instructions. Any agency-controlled documents fall under OPM's EPF Government-Wide Privacy Act system and are subject to its issuances. It is the agency's option to stipulate whether supervisors' personal notes are themselves part of the agency's internal records system. If so, they are bound by Privacy Act rights. If not, within the boundaries of the EPF definition, supervisors may exercise their ingenuity to ensure they evaluate employee performance fairly over the full appraisal period.

For more informaton on the EPF system, write Dr. Philip A.D. Schneider, Deputy Assistant Secretary for Work Force Information, Agency Compliance and Evaluation, OPM, 1900 E St., N.W., Room 5468, Washington, D.C. 20415. Telephone calls should be made to William H. Lynch, Information Specialist, at (202) 254-9790 9793.

William H. Lynch
Information Specialist
Agency Compliance and
Evaluation

How to Subscribe to PERFORMANCE

Performance is available through individual or bulk subscriptions from the Government Printing Office. Individuals may subscribe by sending a check or money order to the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. The annual cost is $6.25 domestic, $7.85 foreign. Single copies are $1.00 domestic, $1.25 foreign. The Government Printing Office accepts Visa and Master Charge.

Federal agencies may obtain bulk copies of **Performance** at reduced rates by sending a printing and binding requisition to the Government Printing Office, referencing OPM printing requisition No. 81-43 for FY 81.

Performance is published eight times a year by the Office of Personnel Management, Workforce Effectiveness and Development Group, Washington, D.C. 20044. Send inquiries to Jane Gill, Editor, **Performance**, Office of Personnel Management, Workforce Effectiveness and Development Group, P.O. Box 14108, Washington, D.C. 20044, or telephone (202) 632-7647.

Funds for this publication approved by the Director of the Office of Management and Budget, January 20, 1980

October 1979

OFFICE OF PERSONNEL MANAGEMENT
Washington, D. C. 20415

ADMINISTRATIVE LAW JUDGE

The Examination Announcement for Administrative Law Judge is hereby amended to reflect special qualifications for grade GS-16 positions in the Department of Labor:

> Two years of experience in the preparation, presentation or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory bodies at the Federal, State or local level in the field of labor law and involving the enforcement of governmental policy encouraging collective bargaining and the right of free association in connection with employer-employee relations. In connection with this practice, an understanding of labor legislation and programs concerning the wage earner, as expressed in such as the Walsh-Healey Public Contracts Act, the McNamara-O'Hara Service Contract Act and the Davis-Bacon Act must have been acquired and applied.

United States of America
Office of Personnel Management

Administrative Law Judge

Positions in various Federal regulatory bodies in Washington, D.C. and throughout the United States

**Announcement
No. 318**

October 1979

See Page 17 for Information on Where and When to File.

ADMINISTRATIVE LAW JUDGE

Grades GS-15 and GS-16

Grades of Administrative Law Judge Positions Covered by the Announcement	*Salary Range*
GS-15	$38,160—$49,608*
GS-16	$44,756—$56,692*

*Section 5308, Title 5, U.S. Code, limits basic pay to that of Level V of the Executive Schedule. As of the issue date of this announcement, that rate is $47,500.

INTRODUCTORY STATEMENT

Administrative Law Judges are employed by a wide variety of Federal regulatory bodies. Their positions are located in Washington, D.C., and throughout the United States.

The cases over which they preside vary in subject matter and in the nature of the causes involved.

In general, Administrative Law Judges preside at formal hearings required by statute, and they may be required to make recommended or initial decisions on the basis of the record. Their normal duties are to:

1. Administer oaths and affirmations.
2. Issue subpoenas authorized by law.
3. Rule upon offers of proof and receive relevant evidence.
4. Take or cause the taking of depositions whenever the ends of justice will be served thereby.
5. Regulate the course of the hearing.
6. Hold pre-hearing conferences for the settlement or simplification of the issues.
7. Dispose of procedural requests or similar matters.
8. Question witnesses, if necessary or desirable.
9. Consider the facts in the record and arguments and contentions made, or questions involved.
10. Determine credibility and make findings of fact and conclusions of law.
11. Recommend decisions or make initial decisions on the basis of reliable, probative, and substantial evidence on the record.
12. Take any actions authorized by agency rule consistent with the provisions of Title 5, United States Code.

Reissued January 1979

Administrative Law Judges may also be required to perform additional duties not inconsistent with their duties as Administrative Law Judges.

A person may become an Administrative Law Judge only by appointment from the Administrative Law Judge register established as the result of a competitive examination. The Administrative Law Judge register is used only for appointments to Administrative Law Judge positions. There is no probationary period to be served. An Administrative Law Judge position may be filled by appointment from the register, or by the reinstatement, reassignment, transfer, or promotion of a person who has formerly received an appointment from the Administrative Law Judge register. An Administrative Law Judge is removable by the agency in which he is employed only for good cause established and determined by the Merit Systems Protection Board after opportunity for hearing and upon the record thereof.

Decisions, based upon hearings presided over by persons appointed as a result of this examination, will range in scope and importance from those determining the rights and liabilities of individual citizens to those which will deeply affect the economic welfare of entire regions of the United States. For this reason, the United States Government is vitally interested in insuring that only the very best qualified applicants in this examination receive appointments.

Applicants should read with care this examination announcement in its entirety before they start the preparation of the application. They should appreciate that, just as they are required to do in the advocacy of their cause at the bar, *they must fully establish that the application clearly satisfies all the examination standards, in full accordance with the procedural requirements set forth below.*

REQUIREMENTS

Quality of Experience

An applicant must have had progressively responsible experience which demonstrates an ability to conduct hearings in a dignified, orderly, and impartial manner; determine credibility of witnesses; sift and analyze evidence; apply agency and court decisions; prepare clear and concise statements of fact, law, and order; and exercise sound judgment. Finally, an applicant must conclusively demonstrate the judicial temperament and poise required for successful performance in a judicial or quasi-judicial position.

More specifically, the following rating factors are considered in the determination of an applicant's eligibility:

1. Complexity, responsibility, variety, and difficulty of qualifying experience.
2. Ability to analyze and evaluate evidence.
3. Ability to interpret and apply laws, rules, regulations, and legal precedent.
4. Ability to write clearly and concisely statements of fact and law, recommendations, and orders.
5. Ability to secure facts from individuals through observation and interviews under difficult conditions.
6. Ability to handle difficult situations when presenting or preparing cases.
7. Ability to preside at and control meetings, conferences, or hearings.
8. Ability to make independent decisions in important matters.
9. Ability to be objective and free from influence of any kind.
10. Professional standing enjoyed by the applicant among the members of the profession.
11. Knowledge and experience in technical subject-matter fields.
12. Demonstrated judicial temperament and poise.

Qualifying Experience

An applicant, at the time of filing must be, and for a period of at least 7 years prior thereto must have been, duly licensed and authorized to practice as an attorney under the laws of a State or the District of Columbia, the Commonwealth of Puerto Rico, or any territorial court established under the Constitution. (This requirement, however, will not be applied in acting on *noncompetitive* actions involving individuals who have already received appointments as Administrative Law Judge in the Federal service from the competitive register.) In addition, an applicant must clearly establish, in the aggregate, at least 7 years of experience in one or more of the categories listed below:

A. Experience as judge, master, or referee of a court of record; *or*

B. Experience as the head (or one of the heads) of a governmental regulatory body, responsible for (1) conducting, or supervising the conduct of, formal hearings *and* (2) making decisions on the basis of the record of such hearings; *or*

C. Experience in a governmental regulatory body as an officer or employee presiding over formal hearings and making or recommending decisions on the basis of the record of such hearings; *or*

D. Experience in the preparation of cases for, or their presentation at formal hearings conducted by governmental regulatory bodies or court proceedings relating thereto (credit is given for participation in the *preparation* of a case *only* on a showing that the applicant was either *solely or jointly responsible for determining* whether the preparatory work *is acceptable for use*); *or*

E. Experience in the preparation of cases for *and* their presentation at trial in courts of record of unlimited and original jurisdiction or the preparation *and* presentation of appeals therefrom; *or*

F. Experience in the active professional supervision and direction of subordinates engaged in functions described in Category D above; *or*

G. Experience as a responsible official in a governmental regulatory body who is required to (1) review, analyze, evaluate, and recommend action to be taken by the head (or heads) of the body on decisions or recommended decisions on cases made by hearing officers on the basis of the record of formal hearings, or (2) render responsible assistance to the head (or heads) of the body in the preparation for, or hearing of, cases coming for a formal hearing before the head (or heads) of the body, or in the preparation of decisions by the head (or heads) of the body on such cases.

Experience in cases in governmental bodies whose practices and procedures are not in substantial accord with the administrative procedure provisions in subchapter II of Chapter 5 of Title 5, United States Code, is *not* qualifying

Qualifying experience, therefore, consists of responsible participation in the preparation, presentation, or hearing of formal cases in governmental regulatory bodies or court proceedings relating thereto, or actual participation in the preparation *and* trial of cases in courts of record of unlimited and original jurisdiction, or the preparation *and* presentation of appeals therefrom, or in the hearing of such cases. Only trial experience gained in courts of record of unlimited and original jurisdiction or the preparation *and* presentation of appeals therefrom involving cases other than routine misdemeanors, probate, domestic relations, minor tort matters, and cases of a similar nature will be accepted as qualifying.

There are other types of experience not considered qualifying. Listed below are the titles of the principal types of positions in which qualifying experience is not obtained:

1. Investigator, under any job title.
2. Adjudicator.
3. Rating Specialist.
4. Claims Reviewer.
5. Insurance Adjuster.
6. Conferee.
7. State Unemployment Insurance Supervisor.
8. Arbitrator.
9. Mediator.
10. Moderator.
11. Teacher or Professor.
12. Hearing Officer in informal or conference proceedings.
13. Clerk of Court.
14. Legal Consultant.
15. Officer of any Court not of record.
16. Contract Officer.

Administrative Law or Trial Experience

The applicant must show that, in the aggregate, at least 2 of the 7 years of experience described under "Qualifying Experience" above, were in the field of administrative law, or in the actual preparation *and* trial of cases in courts of original and unlimited jurisdiction or the preparation and presentation of appeals therefrom, or in the hearing of such cases.

For the purpose of this examination, the field of administrative law consists of:

1. Formal proceedings before Federal regulatory bodies, or
2. Formal proceedings before State or local regulatory bodies, involving issues fully comparable to those before Federal regulatory bodies, or
3. Actions in courts of record involving reviews or appeals from, or enforcement of, the decisions made on these formal proceedings by regulatory bodies, or
4. Injunctive proceedings brought in a court of record relating to a formal proceeding or a prospective formal proceeding before a Federal regulatory body, or
5. Injunctive proceedings brought in a court of record relating to a formal proceeding or a prospective formal proceeding before a State or local regulatory body.
6. Actions in courts of record involving issues fully comparable to those in formal proceedings before Federal regulatory bodies, or in fully comparable formal proceedings before State or local regulatory bodies.

The applicant must show clearly that this experience was gained in one or more of the capacities described in categories A through G under "Qualifying Experience" above.

Principal types of cases considered comparable to those coming before Federal regulatory bodies are shown on following page:

Cases involving the approval or prescription of rates, wages, corporate or financial structures or reorganizations thereof, prices, facilities, appliances, services or allowances therefor, or of valuations, costs, or accounting, or marketing or other practices.

Examples:

- Cases involving reasonable rates for transportation or other services of common carriers or industries subject to regulations.
- Cases involving purchases, leases, mergers, consolidations, reorganizations, recapitulations, integrations, or financing of common carriers or public utilities.
- Cases involving valuations, reproduction costs, and fair rate of return on capital of a common carrier or public utility.
- Cases involving the issuance of regulations fixing and establishing a reasonable standard of identity for food.

Cases involving prosecution or defense of alleged violations of public laws or regulations of public bodies respecting labor, agriculture, political activity, trade, or commerce, including money claims arising therefrom or declaratory proceedings.

Examples:

- Cases involving violations of or noncompliance with laws, rules, and orders pertaining to the regulation of public utilities or other entities, or to labor, trade, or agriculture.
- Cases involving charges of unfair trade or labor practices.
- Cases involving alleged violations of the postal fraud, lottery and antiobscenity statutes.
- Cases involving participation of Government employees in prohibited political activity.
- Cases involving civil rights matters.
- Cases involving antitrust matters.
- Cases involving admiralty matters.

Cases involving the grant, revocation, or amendment of a public license (other than those involving common occupations), permit, certificate, approval, registration, charter, or membership, involving difficult and complex issues of fact or law.

Examples:

- Cases involving revocation, suspension, or annulment of licenses of air pilots, merchant mariners, distilleries, wineries, or of common carriers or public utilities.

Cases involving the grant or revocation of licenses for nuclear production and utilization facilities.

Cases involving the grant or annulment of licenses relating to the use or disposition of public lands and resources.

Cases involving the licensing, financing, and regulation of investment and lending practices of business investment companies.

Cases involving denial, suspension, or revocation of a certificate of registration of any person who recruits, solicits, hires, furnishes, or transports migrant workers for farm employment.

Cases involving the grant, denial, or recovery of money payments or other benefits upon a hearing required by law.

Examples:

Cases involving claims for old age and survivors insurance benefits, the settlement of estates of Indians, or ownership of vested property.

Cases involving disability allowances, insurance claims, or other privileges.

In determining whether a case which comes before a State or local regulatory body is comparable to one coming before a Federal regulatory body, a direct comparison is made of the subject matter and causes in the case with the subject matter and causes of the cases which come for hearing before Federal regulatory bodies. For example, interstate transportation rate cases come before the Interstate Commerce Commission; intrastate transportation rate cases which come before State regulatory bodies and local transportation rate cases which come before local regulatory bodies are cases comparable to those coming before the Interstate Commerce Commission. Participation in such State or local cases, therefore, will constitute administrative law experience as defined above.

However, participation in formal hearings accorded employees of some State governments on the basis of charges brought against them will not constitute administrative law experience, since these cases are not formal proceedings in the Federal service.

Recency of Experience

In order to establish eligibility, an applicant must clearly establish, in the aggregate, 2 years of experience in the field of administrative law, as described above, or in the actual preparation *and* trial of cases in courts of original and unlimited jurisdiction or the preparation *and* presentation of appeals therefrom, or in the hearing of such cases, within the 7-year period immediately preceding the date of the application.

Level of Qualifying Experience

The grade of Administrative Law Judge position for which an applicant is considered qualified will be determined by the quality of experience which falls in one or more of the categories set forth under "Qualifying Experience" described on page 4. This is shown by the scope and level of responsibilities, and the importance and complexity of the cases handled. Thus, to qualify at each grade level of Administrative Law Judge position, at least 1 year of the applicant's qualifying experience must have been gained in the 7-year period preceding the date of the application and must have been of a level of difficulty, complexity, responsibility, and importance characteristic of at least the next lower grade in the Federal service. However, an applicant *may be qualified* for eligibility at the GS-16 grade level on the basis of the successful completion of 2 years of qualifying experience at or comparable to the GS-14 grade level in the Federal service. Such experience must have been gained within the 2-year period preceding the date of the application.

The quality of experience gained in trial practice is determined by the importance and complexity of the cases prepared and tried by the applicant. Experience in routine misdemeanor cases, probate, domestic relations, minor tort matters and cases of a similar nature will not be accepted as meeting the quality of experience required for either grade level.

Special Qualifications for Filling Certain Administrative Law Judge Positions

In filling Administrative Law Judge positions in certain Federal regulatory bodies, prior consideration is given to eligible applicants whose administrative law experience includes participation in cases comparable to those coming before these bodies. See the section entitled "Special Qualifications for Positions in Certain Federal Regulatory Bodies," for the names of these Federal regulatory bodies, together with a statement of the special qualifications required for each agency's Administrative Law Judge positions. (These special qualifications, however, will not be required in acting on *noncompetitive* actions involving individuals who have previously received appointments as Administrative Law Judge in the Federal service from a competitive register.)

As indicated in these statements, an applicant is required to demonstrate that the 2 years of experience in each legal specialty has been obtained within the 7 years immediately preceding the date of the application. The cases in the legal specialty must be cited in the list described under "Submission of Examination Material" on page 10; and the number of work days spent in handling these cases must, in the aggregate, equal 2 years.

Creditability of Service with Armed Forces

Time spent by an applicant in the Armed Forces shall be considered in either of the two following ways, depending upon which will be of more benefit to the applicant:

A. Such service may be considered as an extension of the employment in which the applicant was engaged immediately prior to entrance into the military service, *or*

B. Such experience may be considered on the basis of actual duties performed by the applicant in the military service.

As an example, an attorney who adjusts claims for an insurance company (an experience which is *not* qualifying) enters military service; and, for the entire period of service, represents the government as counsel in the preparation and presentation of cases before the Armed Services Board of Contract Appeals. The military service is accepted as qualifying experience, since this body's composition and practice are in substantial accord with the administrative procedure provisions in subchapter II of Chapter 5 of Title 5, United States Code.

In further exemplification, an attorney whose practice consists of the preparation and presentation of cases before the National Labor Relations Board (an experience which is qualifying) enters military service; and, for the entire period of service acts as presiding officer at courts-martial. In view of the fact that participation in courts-martial as presiding officer or member of the court other than law officer in general courts-martial is *not* qualifying experience for the purpose of this examination, the military service is credited as an extension of the civilian practice.

Part-time or Unpaid Experience

Credit will be given for all valuable qualifying experience, regardless of whether compensation was received or whether the experience was gained in a part-time or full-time occupation. Part-time or unpaid experience will be credited on the basis of time actually spent in appropriate activities. Applicants wishing to receive credit for such experience must indicate clearly the nature of their duties and responsibilities in each position and the number of hours a week spent in such employment.

SUBMISSION OF EXAMINATION MATERIAL

The applicant is required to submit a complete Standard Form 171, Personal Qualifications Statement, in which *all* items of information requested therein are furnished. *The date and jurisdiction of admission to the bar must be included.*

Only brief descriptions of nonqualifying experience need be furnished. However, all periods of employment claimed by the applicant as having afforded qualifying experience must be described specifically and in detail in order to convey a full and accurate understanding of the nature, variety, complexity, responsibility, and difficulty of such experience. Descriptions of experience such as "Private Practice of the Law," "House Counsel for the XYZ Corporation," "Assistant Attorney General for the State of Illinois," or "Attorney at Law, handling matters of extreme complexity involving difficult problems in many legal fields" are uninformative; in reviewing an application, periods of service which are so described will be disregarded on the assumption that the applicant did not intend to claim such service as qualifying experience.

The applicant's statement of experience must clearly establish, in the aggregate, the *full 7 years of qualifying experience* required for *eligibility*. Therefore, in describing a period of employment consisting of a combination of qualifying and nonqualifying experience, it is essential to indicate how the time was divided between the two types of experience. If this information is not furnished, no part of this period of employment will receive credit as qualifying.

The applicant must also clearly establish, in the aggregate, the *full 2 years of administrative law or actual trial or judicial experience* required for eligibility, and show that the time of obtaining this experience *satisfies the requirements* set forth under "Recency of Experience" above. The Office of Personnel Management does *not* accept the unsubstantiated claim of *any* applicant that this administrative law or trial experience has been obtained. In proof of the claim, *every* applicant must include in the application a list, *in chronological order,* of *a sufficient number of administrative law cases* in which he or she has participated or *court cases which he or she has prepared and tried, or heard,* to demonstrate *2 full years* (400 workdays) within the 7-year period immediately preceding the date of the application. For every case so listed the following must be shown:

1. Title and citation.
2. Dates between which participation took place.
3. Brief statement of issues involved.
4. Regulatory body or court hearing case. Note: For each court so cited, indicate whether Federal, State, or local; extent of jurisdiction (limited or unlimited, original or appellate).
5. Number of workdays spent in handling case, and in what capacity, i.e., judge, attorney, etc.
6. Names and current addresses of
   (a) Hearing Officer of regulatory body or of judge who heard case
   (b) Co-counsel, if any
   (c) Opposing Counsel
   (d) Counsel appearing in case if applicant claims qualifying experience in a judicial type position.

The applicant is also required to submit the details listed below *regarding 2 of the cases referred to above* which are considered the most important ones in which he or she has participated. (If the applicant satisfies the administrative law, actual trial, or judicial requirements of this announcement by listing only one case, the details on only that case may be submitted). If the applicant claims experience which satisfies any of the special qualifications for filling specific Administrative Law Judge positions which are described beginning on page 18, at least one of the cases must have been in the field of the legal specialty involved.

1. The precise nature and extent of participation.
2. Full statement of issues involved and a description of the problem.
3. Outline of arguments made.
4. Summary of technical, economic, or other data presented, including sources, manner of analysis, and uses, written decisions or opinions, or other papers prepared by applicant in one case.
5. Briefs, Memoranda of Law.

To assist the rating panels in determining the ability of the applicant to write clearly, concisely, and convincingly, the applicant shall submit with each such written decision or opinion a *verification* in the form of a signed statement of the extent of *personal* involvement in and responsibility for the preparation of the document; and the names and current addresses of those persons, if any, who participated in the preparation of the document.

Detailed descriptions of only 2 administrative law cases or 2 court cases which the applicant actually tried or heard should be submitted, one of which is to reflect the highest level of qualifying experience.

It is incumbent on the applicant to make sure that the application and related papers contain the *names and current addresses of at least 20 individuals* who have personal knowledge of the experience and professional qualifications, so that inquiries may be made of a number of them. Ordinarily, the application will disclose at least this number in connection with the employment record and the cited cases. However, if an examination of the papers indicates that this is not so, a sufficient number of names to increase the total to 20 is required.

The Office of Personnel Management will communicate no more than *once* with an applicant regarding minor deficiencies or omissions (non-fatal) in the information submitted. If the applicant does not submit a *timely* reply which causes the application as so amended to *comply fully* with all of the filing requirements set forth above, an ineligible rating will be assigned to the application.

Finally, it is essential that information regarding the nature and quality of the applicant's service in a current employment be obtained from informed and reliable sources. This information is usually obtained from the applicant's employer or supervisor or, from a partner in a firm, from one or more associates. Therefore, if an applicant declines to have inquiries made of such persons, the application will be canceled.

THE RATING PROCESS

Basic Rating

A review will be made of the experience of each applicant as described in the application. After this review has been completed, applicants not meeting the requirements of this announcement will be assigned an ineligible rating and so notified.

In the case of each applicant who is found to have clearly met the requirements of this announcement, inquiries will be sent to a number of the individuals whose names were furnished in the application; inquiries may also be sent to other individuals selected by the Office of Personnel Management.

The Office of Personnel Management will conduct a full personal investigation of an applicant's qualifications when this becomes necessary in order to resolve questions raised regarding eligibility, including those raised in responses received in reply to inquiries.

Based on an evaluation of the material submitted by the applicant and on the information obtained from inquiries, a basic rating is made to determine which applicants are eligible for appointment. This rating is based on a scale of 100. Because of the limited number of Administrative Law Judge positions for which appointments are needed, the passing grade for this examination will be set at a figure that the Office of Personnel Management determines will produce an adequate register of eligibles. This means that the Office of Personnel Management will determine how many names are needed on the Administrative Law Judge register and will establish as the passing grade for the examination such numerical rating as will result in that number being rated eligible for appointment. In addition, from among those applicants who are rated eligible for appointment, the Office of Personnel Management will make the determination regarding the special qualifications for appointment in certain agencies discussed on pages 9 and 18. Each applicant will be notified of the basic rating and of any special qualifications assigned to the application.

Demonstration of Ability to Write a Decision

Those applicants who attain a passing grade on the basic rating must demonstrate their ability to write a decision. This demonstration will require about 6 hours. For applicants residing in the Washington Metropolitan Area, the demonstration will be administered in the central office of the Office of Personnel Management. For other applicants the demonstration will be administered at available points located near their places of residence. Applicants will be required to travel at their own expense.

The demonstrations will be held as frequently as necessary to meet the needs of the service. All applicants who (1) have filed *complete* applications on or before the date on which the Office of Personnel Management decides that the needs of the service require the scheduling of a demonstration and (2) who are assigned a passing grade at the basic rating will be given the demonstration at the same time. All applicants who file *complete* applications subsequent to the date on which the Office of Personnel Management decides that the needs of the service require the scheduling of a demonstration and who are assigned a passing grade at the basic rating, will be given the demonstration at a later date as determined by the Office of Personnel Management.

The demonstration, primarily, is to test an applicant's ability to write a decision in a clear, concise, and convincing manner. For the purpose of the demonstration, it is considered that there is no "right" or "wrong" answer to the problem presented to the applicant.

The applicants will be given sufficient advance notice to insure that they will be able to arrange to take part in the demonstration on the appointed day. If it becomes impossible for the applicants to participate, their applications will be suspended and they will be allowed to take part in the next scheduled demonstration.

Oral Interview

All applicants who attain a passing grade on the basic rating will also be required to appear for individual interviews with respect to the qualifications required for proper performance on the job. These interviews, which will last for about 1 hour, will be held by panels at the Regional Offices of the Office of Personnel Management, its central office in Washington, D.C., and its offices in Alaska, Hawaii, and Puerto Rico. The panels will consist of three persons specially designated by the Office of Personnel Management for such purpose and for evaluating each applicant's qualifications. The interviews will be held approximately 1 month after the date on which the applicant participated in the demonstration of decision writing. If it is impossible to appear as scheduled, the interview will be rescheduled if this can be done within the limits of the panel's calendar; otherwise, the application will be suspended until the next scheduled interviews. Applicants who are scheduled for oral interviews will be required to travel at their own expense.

Final Rating

Before applicants are placed on the register, they will be required to undergo a National Agency and Local Law Enforcement Investigation, in connection with which they may be required to submit additional information.

A final rating will be made by the Office of Personnel Management, based on a careful evaluation of the information furnished by the applicant, information obtained in response to inquiries, investigations, results of the demonstration of ability to write a decision, and results of the oral interview, and on the final report of the special panels. At this time, applicants will be assigned points for veteran preference, in the cases of those who are entitled thereto in accordance with the provisions of Title 5, United States Code 3309 and registers established.

Each competitor will be rated for the grades or salary levels which are acceptable and for which qualified. In no case will an applicant be given a rating in any grade for which the compensation is less than the minimum acceptable salary as stated in the application.

Issuance of Certificates

Only those applicants to whose applications final eligible ratings have been assigned will be considered for certification to fill Administrative Law Judge positions. The issuance of certificates will not be delayed pending completion of any phase of the rating of an applicant's application or pending decision on an appeal filed by an applicant from a rating.

MAINTAINING ELIGIBILITY

Applicants with a final eligible rating must bring their experience up to date by filing Standard Form 172, Supplemental Experience and Qualification Statement, no earlier than 12 months and no later than 18 months from the date on which notified of eligibility in this examination. Thereafter, they are required to repeat this process no earlier than 12 months and no later than 18 months from the date on which they last brought their application up to date. In bringing their application up to date, applicants must attach to the Standard Form 172 a list of all cases (whether in the field of administrative law or in other fields of law) in which they have participated since they last filed in the examination. The list must be prepared in the manner prescribed in the second paragraph beginning on page 11 above. Applicants who fail to bring their experience up to date within the stated periods will cause the removal of their name from the register; in this event, they cannot refile an application for the purpose of regaining eligibility during the 2-year period following the latest date on which they were required to update their application.

In bringing an application up to date, applicants must continue to satisfy the provisions found under "Recency of Experience" set forth above. If unable to do so, their names will be removed from the register.

In addition, in order to retain credit for any special qualifications previously assigned, they must show that participation in cases falling within the legal specialty involved continues to satisfy the "Recency of Experience" requirement set forth under "Special Qualifications for Filling Certain Administrative Law Judge Positions" on page 9. No other re-rating, however, will be conducted on the basis of this additional information.

Applicants who receive a final eligible rating may file a new application (Standard Form 171) for a new rating at the same grade level no sooner than 2 years after the date on which notified of the previous eligible rating.

Applicants who file a new application (Standard Form 171) for a new rating at the same grade level are required to submit the new application in the manner described above under "Submission of Examination Material," describing experience from the date on which they filed the old application or the date on which they last brought their experience up to date. With the application they must file a list of all cases (whether in the field of administrative law or in other fields of law) in which they have participated since they filed their application in the examination or since they last brought their application up to date. This listing must be prepared in the manner prescribed in the second paragraph beginning on page 11 above. The application and listing of cases must contain the names and current addresses of at least six individuals who have personal knowledge of the applicant's experience and professional qualifications, so that inquiries may be made of a number of them, as well as others. The new application, when combined with the old one, must satisfy all requirements set forth above, and it will be processed in the same manner as that set forth above under "The Rating Process."

Recompetition

Any applicants who filed an Administrative Law Judge application previous to the issue date of this revised announcement and received a notice of cancellation or ineligibility may now re-file under this revised announcement. The new application must conform with all of the requirements of this announcement.

Applicants who file under the revised announcement and who receive an ineligible rating may re-file no sooner than 1 year after the date on which they filed in this examination.

Note: In view of this restriction, applicants *should not* limit availability to a higher grade level if there are *any* doubts about satisfying the qualification requirements for it. If they do so, and receive an ineligible rating, they will not be able to obtain consideration at a lower grade level until the conclusion of the previously stated 1-year period.

EQUAL EMPLOYMENT OPPORTUNITY

All applicants will be considered without regard to race, religion, age, color, national origin, sex, political affiliations, or any other nonmerit factor.

For information about citizenship, physical abilities required, veteran preference, and other general information, see pamphlet entitled, "Working for the U.S.A.", which may be obtained at most places where applications are available.

HOW TO APPLY

What to File

To apply for this examination, submit the forms and material listed below.

1. Standard Form 171 and related papers (see explanation found under "Submission of Examination Material" on page 10).
2. Form 5001-ABC.
3. Standard Form 15, with documentary proof required therein, if claiming 10-point veteran preference. Documentary evidence will be returned to applicants.

Where to Get Forms

The forms mentioned above may be obtained from Job Information Centers in many large cities throughout the country or the Office of Personnel Management, 1900 E Street, NW., Washington, D.C. 20415.

When and Where to File

Applications may be filed in this examination at any time and should be sent to the Office of Personnel Management, 1900 E Street, NW., Washington, D.C. 20415. Attention: Office of Administrative Law Judges.

LIST OF AGENCIES EMPLOYING ADMINISTRATIVE LAW JUDGES

Agency	*Grade of Position*
Department of Agriculture	GS-16
Nuclear Regulatory Commission	GS-16
Civil Aeronautics Board	GS-16
Commodity Futures Trading Commission	GS-16
Consumer Products Safety Commission	GS-16
Drug Enforcement Administration, Department of Justice	GS-16
Federal Communications Commission	GS-16
Federal Maritime Commission	GS-16
Federal Mine Safety and Health Review Commission	GS-16
Federal Energy Regulatory Commission	GS-16
Federal Trade Commission	GS-16
Food and Drug Administration, Department of Health, Education and Welfare	GS-16
Department of Housing and Urban Development	GS-15
International Trade Commission	GS-16
Interstate Commerce Commission	GS-16
Department of Labor	GS-16/15
Maritime Administration, Department of Commerce	GS-16
Merit Systems Protection Board	GS-16
National Labor Relations Board	GS-16
National Transportation Safety Board, Department of Transportation	GS-16
U.S. Postal Service	GS-16
Securities and Exchange Commission	GS-16
U.S. Coast Guard, Department of Transportation	GS-15
Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury	GS-15
Office of the Secretary, Department of the Interior	GS-16/15
Social Security Administration, Department of Health, Education, and Welfare	GS-15
Occupational Safety and Health Review Commission	GS-16
Postal Rate Commission	GS-17
Environmental Protection Agency	GS-16/15
Federal Labor Relations Authority	GS-16

SPECIAL QUALIFICATIONS FOR POSITIONS IN CERTAIN FEDERAL REGULATORY BODIES

As set forth under "Special Qualifications for Filling Certain Administrative Law Judge Positions," on page 9 of the examination announcement, prior consideration in filling Administrative Law Judge positions in certain Federal regulatory bodies is given to eligible applicants whose administrative law experience includes participation in cases comparable to those coming before these bodies. Listed below are the special qualifications for the positions in these bodies.

In order to obtain prior consideration in filling a position in one of these bodies, an eligible applicant must have clearly established in the application and related papers, in the manner prescribed in the examination announcement, acquisition of the special qualifications for that position within the 7 years immediately preceding the date of the application.

When it is found that the register does not contain the names of a sufficient number of eligibles possessing the special qualifications for consideration by an agency, certification will then be made in regular order from the register.

Department of Agriculture

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory bodies at the Federal, State, or local level, involving issues arising in the enforcement, application, or administration of marketing orders pertaining to agricultural commodities or food distribution regulations such as those pertaining to the control of commodity exchanges and stockyards.

Civil Aeronautics Board

Two years of experience in the preparation, presentation or hearing of formal cases, or in making decisions on the basis of the records of such hearings, originating before governmental regulatory agencies at the Federal, State or local level, in the field of (1) air transportation, involving matters relating to rates, finance, or operating authorities, (2) public utility law, or (3) anti-trust law. This standard contemplates applicants having broad and extensive experience in economics, finance, accounting and statistics in areas of formal adjudication or litigation.

Federal Communications Commission

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory bodies at the Federal, State, or local level, in the field of communications law or public utilities law.

Federal Energy Regulatory Commission

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, involving causes *arising in the field of public utilities law.* These cases must have originated before governmental regulatory bodies at the Federal, State, or local level.

Internal Revenue Service, Department of the Treasury

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory agencies, involving questions arising under the Federal alcohol and tobacco tax laws or under substantially similar laws at the State or local level; more specifically, the questions must have involved the levy and collection of taxes on these commodities; control of their production, distribution, and sale; or practices followed in their labeling and advertising.

Interstate Commerce Commission

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory agencies at the Federal, State, or local level, in the field of surface transportation (including transportation by rail, motor carrier, or water), involving matters relating to rates, finance, operating authorities, and safety. In the absence of a sufficient number of eligible applicants with the foregoing experience, priority in certification will next be given to those with similar experience in the field of air transportation.

National Labor Relations Board

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory bodies at the Federal or State level, arising in the field of labor law and involving the enforcement of governmental policy encouraging collective bargaining and the right of the free association in connection with employer-employee relations.

An applicant who has fully established general eligibility under the terms of the examination announcement is permitted to submit evidence of participation, within the 7 years immediately preceding the date of application, in the arbitration of labor disputes in connection with the provisions of a collective bargaining contract or statutory machinery, as partial or complete satisfaction of the special qualifications requirement set forth above.

Securities and Exchange Commission

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory bodies at the

Federal, State, or local level, in the field of securities financing and involving the public issuance of securities or the trading of securities. In connection with this practice, the applicant must have acquired and applied:

1. An understanding of the corporate financing process as related to the public issuance of securities; and
2. An understanding of the appraisal or evaluation of annual reports of corporations, including financial statements; and
3. An understanding of basic accounting theories and principles and of their application; and
4. An understanding of current trading techniques in the securities markets.

Social Security Administration, Department of Health, Education, and Welfare, for Positions Located in Puerto Rico

A current working knowledge of both the English and Spanish languages (knowledge need not have been acquired within the 7 years immediately preceding date of application).

U.S. Coast Guard, Department of Transportation

Two years of experience in the preparation, presentation, or hearing of formal cases, or in making decisions on the basis of the record of such hearings, originating before governmental regulatory bodies, in the field of admiralty and maritime law and involving the interests of seamen or the shipping industry. In the absence of a sufficient number of eligible applicants with the foregoing experience, priority in certification will next be given to eligible applicants with 2 years of experience in hearing formal cases coming before governmental regulatory bodies, or as a judge or justice of a court of record.

SUBCOMMITTEE RECESS

Senator ABDNOR. Very good. I'm sorry we have had this inconvenience.

Mr. FANNING. We had a very famous chairman from your State, Boyd Leedom, was a great man.

Senator ABDNOR. His son is still active.

Mr. FANNING. Yes, he is.

I believe Mrs. Leedom is back in Rapid City.

Senator ABDNOR. Yes.

Mr. FANNING. She is a very good friend of all of us.

Senator ABDNOR. Thank you very much.

The committee will now recess until Monday, March 16, when we begin public witness testimony.

[Whereupon, at 4:35 p.m., Thursday, March 12, the subcommittee was recessed, to reconvene at 1:30 p.m., Monday, March 16.]

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